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SECTOR-WISE COMPARATIVE ANALYSIS OF NON-PERFORMING ASSETS OF SELECTED PRIVATE SECTOR AND PUBLIC SECTOR BANKS OF INDIA

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Abstract
The banking sector plays a crucial role in the economic development of any nation. The Indian banking sector is currently placing a high premium on the problem of non-performing assets. The purpose of the current study is to compare the non-performing assets of a sample of banks in the public and private sectors between 2019 and 2023. Examining non-performing assets in Indian public and private sector banks is the primary goal of this study. According to the study's findings, private sector banks do better than public sector banks at servicing debt. Due to the issue of large non-performing assets (NPAs) among public sector banks, government agencies and regulatory bodies should step in to help the selected banks' NPAs decline.

Keywords: Non-performing Assets, Public sector banks, Private sector banks,

Introduction

In order for every nation to prosper economically, its banking industry is essential. For the economy to expand, it is essential. In between people looking for savings and those looking for financing, banks act as a middleman. A challenge that the banking industry is currently dealing with is non-performing assets, or NPAs, and their quantity is rising quickly. The banking industry in India is in appalling overall condition. Private and public sector banks are the two main categories of banks in India. Both kinds of banks must give advances to particular customer groups, according to Reserve Bank of India regulations.

The two primary lending sectors, according to RBI regulations, are as follows:

1) Priority sector
2) Sector that is not a priority

Agriculture, Industry, Services, and Personal Loans are the subcategories that comprise both sectors. Lending to institutions that have trouble obtaining credit is referred to as priority sector lending. According to the RBI's timetable, commercial banks must lend 40% of their total amount to priority sectors. (Measured regarding Adjusted Net Bank Credit or ANBC).

Meaning of NPA in the eyes of RBI

Lending features of the following are considered as Non-performing Asset

More than ninety days have passed since the interest and/or principal payments on a term loan are due.
- An Overdraft / Cash Credit (OD/CC) account remains "Out of order" for a period of time longer than ninety days.
- When bills are bought and discounted, they remain past due for more than ninety days;
- any amount that is past due on other accounts that is left unpaid for more than 90 days.

Review of Literature

Sunil B. Kapadia &Venu V. Madhav (2022) After conducting an investigation, they found that bad loans are causing the bulk of the banking sector's resources to be blocked and become unproductive. They clearly recovered very little money, and lending dynamism continues to be a factor in the increase in non-performing assets, based on their findings.

Siraj and Sudarsanan Pillai (2021)says, "The banking industry is being impacted by the NPA infection. According to the inquiry, non-performing assets (NPAs) continue to pose a serious risk. The consistent segment revealed by growth in NPA might serve as a great starting point for discussions among Indian bank executives on the productivity of credit risk.

IrfanAhmadandNishaKhan(2019) the authors emphasized the comparative analysis and concluded that while there is no difference between the two banks' net NPA to total advance ratios, there is a significant difference between SBI and ICICI's gross NPA to overall advance ratio. In conclusion, the nonperforming assets of both SBI and ICICI are growing quickly, and a disproportionate amount of SBI's NPA composition comes from the priority sector. The best public sector SBIs are only one of the several public and private sector banks in India that support the flourishing industrial, service, and agricultural industries of the nation with loans. The best financial company in the private sector is ICICI Bank. Nevertheless, the increasing volume of nonperforming assets

B.SenthilArasu*et.al*(2019) Researchers have discovered that controlling and calculating bank asset quality is critical to the growth of financial organizations. India's financial system, government regulators, and the nation's economy are all adversely affected by the ongoing decline in bank asset quality, particularly among PSUs. This report's main goal is to help readers understand the level of Gross and Net NPA and profitability of public and private sector banks. In both public and private sector banks, gross nonperforming assets (NPA) shown a positive association with net NPA, but NPA exhibited a negative correlation with return on assets (ROA).

Manisha Raj et.al (2018)they conducted a comparison by examining public and private banks side by side. Examining the growth of nonperforming loans at State Bank of India and ICICI throughout the previous four years was the main objective of this study. Examine the underlying reasons why both banking organizations' nonperforming loans are failing. By contrasting the two banks' total advances, net profit, gross NPA, and net NPA, it is vital to investigate the relationship between the two banks' net profit and nonperforming loans (NPA). The current study's findings indicate that the biggest risk to ICICI Bank and State Bank of India's financial stability is non-performing assets. Annual swings in NPA levels lead to a reduction in profitability.

Binish Varghese M. and SumanChakraborty (2017)they have examined the new breed of private banks as well as the contemporary era, which spans the years 2010–2016. In this study, we contrast the output produced by young and old. The CAMEL paradigm was used for seven years in private generation. Recent evidence indicates that private banking today is doing better than it did a century ago. Care has been taken in selecting the CAMEL model ratios. Articles with a primary source of research Several factors, including net profit, interest rate, return on equity, etc., have contributed to banks' success in the private and global markets. Comparing various financial institution types—such as government-run and international organization-run institutions—was one aspect of the research project. the majority of financial institutions in Indiaarestrugglingwithariseinnonperformingloans(NPA).Thepublicsectorhasthehighestproportionofnonperformingassets (NPAs), which affectsbankprofitability.

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Objective of the Study

1.To compare the NPAs percentage of selected public sector banks and private sector banks.

2.To compare the NPAs of selected private sector banks.

3.To compare the NPAs of selected private sector banks.

4.To check the growth of NPAs of the banks during the study period.

Research methodology

This study compares the nonperforming assets (NPAs) of a subset of public and private sector banks. It has chosen three private sector banks, HDFC, ICICI, and Axis Bank, and three public sector banks, State Bank of India (SBI), Punjab National Bank (PNB), and Bank of Baroda (BOB). The top three banks in each industry based on total assets are the banks that have been chosen. Data is gathered using secondary sources, and between March 2020 and March 2024, the financial information of chosen banks is gathered. ANOVA single factor and two factors, mean, standard deviation, and other statistical methods are used for analysis. The ratio of Net NPAs to Net Advances determines the NPAs percentage.

Data Analysis& Interpretation

% of Net NPA of Pvt.Sector banks							
Bank	**2023-24**	**2022-23**	**2021-22**	**2020-21**	**2019-20**	**Mean**	**SD**
HDFC	0.33	0.27	0.32	0.4	0.36	0.34	0.0
ICICI	0.42	0.48	0.76	1.14	1.41	0.84	0.4
AXIS	0.31	0.39	0.73	1.05	1.56	0.81	0.5

% of Net NPA of Public Sector banks							
Bank	**2023-24**	**2022-23**	**2021-22**	**2020-21**	**2019-20**	**Mean**	**SD**
SBI	0.57	0.67	1.02	1.5	2.23	1.20	0.6
PNB	0.73	2.72	4.8	5.73	5.78	3.95	2.1
BOB	0.68	0.89	0.02	3.09	3.13	1.56	1.4

NPAs are displayed in the above table as a percentage of all bank net advances. Private sector banks have smaller non-performing assets (NPAs) than public sector banks. Private sector banks' average nonperforming assets (NPAs) from FY 2019–2020 to FY 2023–2024 were less than 1%, while all public sector banks' average NPAs were greater than 1%. Private sector banks have superior management practices compared to their public sector counterparts. ICICI Bank has the most average non-performing assets (NPAs) among the chosen private sector banks, while HDFC Bank has the lowest. PNB has the largest average non-performing asset (NPA) among public sector banks, whereas SBI has the lowest average NPA.

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Sector-wise average NPA (%) of Private sector banks for period of March2020 To March-24

	HDFC	ICICI	AXIS
A. Priority Sector			
Agriculture and allied activities	2.5	3.22	3.48
Industry	1.84	2.5	2.69
Services	1.58	1.81	2.36
Personal loans	0.85	1.19	0.88
Total of A	1.86	2.14	2.21
B. Non Priority Sector			
Agriculture and allied activities	1.57	0	0
Industry	1.01	16.32	8.93
Services	0.89	6.57	3.57
Personal loans	0.63	1.16	0.82
Total of B	0.84	8.52	4.65
Total (A+B)	1.13	7.12	4.08

The table above shows the average non-performing assets (NPAs) of private sector banks from fiscal year 2019-2020 to 2023-24. In the priority sector, agriculture and allied activities had larger NPAs than other categories, while in the non-priority sector, industry had higher NPAs. Private sector banks have total average NPAs of less than 5% in both priority and non-priority industries.

Sector-wise average NPA (%) of public sector banks for tl period of March2020 To March-24

	SBI	PNB	BOB
A. Priority Sector			
Agriculture and allied activities	9.06	9.73	9.79
Industry	13.47	16.15	11.95
Services	7.19	7.81	10.27
Personal loans	1.71	5.61	3.8
Total of A	7.85	10.3	9.45
B. Non Priority Sector			
Agriculture and allied activities	4.99	2.14	9.75
Industry	10.67	27.75	17.82
Services	3.19	9.27	6.26
Personal loans	0.62	3.29	3.3
Total of B	6.98	14.73	10.23
Total (A+B)	7.17	13.17	10.04

The table above displays the average NPAs of public sector banks by sector from Fiscal Year 2019-2020 to Fiscal Year 2023-24. On average, majority public sector banks have larger NPAs in the non-priority sector than in the priority sector. NPAs in the Industry category of both priority and non-priority sectors are greater than in all other categories in all banks, whereas personal loans in both sectors are the lowest. The total average nonperforming assets (NPAs) in both sectors exceed 5%.

Finding and Conclusion

- Average NPAs for the study period of all the selected private sectors banks are less than 1%.
- Average NPAs for the study period of major of all the selected Public sectors banks are more than 1%.
- In comparison to private sector banks, public sectors banks registered higher NPAs.
- Study result shows that in public sector banks category of industry of both the priority and non-priority spotted higher NPAs.
- The study presents that assets quality and efficiency of debt coverage of private sector banks are better than that of public sector banks.
- In private sector banks, NPAs of Agriculture and allied activities category of priority sectors is higher while NPAs of Industry category of non-priority sector is higher than other categories.
- Study reveals that types of banks and sector-wise NPAs do not have combine effect over total NPAs of the banks
- Difference among the NPAs of private sector banks is found in the present research.
- There is also difference among the NPAs of public sector banks.
- ICICI bank spotted higher average NPAs among all private sector banks and BOI registered higher average NPAs among all public sector banks.

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