A study of all the Scheduled commercial Bank's Profitability with Menace of NPA in Indian Economy

Priyanka Singh,[1]   Dr. Manoj Sain[2] ,   Prof. Harish Handa[3]
[1]Research Scholar, Singhania University, Pacheri Beri Rajasthan

[2]Professor-Singhania University Pacheri Beri Rajasthan
[3] Shaheed Bhagat Singh College, Delhi University.
Email - rdj2215@gmail.com

Abstract: *One of the biggest and most difficult issues that has an impact on the entire banking industry in India is the NPA problem. The interest a bank collects on the loans it makes is its main source of revenue. However, when a bank lends money, they put themselves at risk for bad credit. The objective of this study is to assess the efficiency of each schedule of commercial banks, to determine which NPA component in public sector banks is the main contributor to NPAs and to examine the distribution of scheduled commercial banks' outstanding advances to the priority sector. The methodology for conducting this study will be secondary source of data collection from RBI. The tool for the analysis used is SPSS. The results of the study are brought out the fact that the average gross and net NPA was highest in the Central Bank of India between the years 2013 to 2017, lowest average NPA was found in the State Bank of India. The results show that non-performing assets have decreased, which has raised profitability. The study came to the conclusion that India's banking industry has expanded and strengthened into a robust financial system during the past ten years.*

Key Words: *Non-Performing Assets, NPAs, Bank, Commercial Bank, Profitability, Indian Economy.*

1. INTRODUCTION:

In India's financial system, banks are essential players (Mohammed Arif Pasha, 2014). The banking sector, which also supplies more than 90% of the nation's commercial credit, is the conduit for more than two-thirds of household savings (Dr. Vijayakumar A B, 2021). When the banking industry's balance sheet issues persist, they have a negative impact on real economic activity and can even cause an economic catastrophe in a country where banks be in the majority (Robin Thomas, 2021). A banking crisis must be quickly resolved in order for banks, which are the primary source of credit, to resume their regular business operations.

In India, the majority in the banking sector is made up of the commercial banks and the cooperative banks. Commercial banks could be further categorized as scheduled and non-scheduled commercial banks. In the Reserve Bank of India Act, 1934's second scheduled list, the commercial banks as scheduled institutions are required to meet certain criteria for reserves, paid-up capital, and other factors. Regional rural banks, domestic private sector banks (both new and old), foreign private sector banks, and public sector banks (nationalised banks, the State Bank of India, and its subsidiaries) are also featured.

An eight-category Health Code System (HCS) for categorizing advancements was initially introduced in 1985 on the advice of the A Ghosh Committee on Final Accounts. However, because the HCS being used was primarily based on subjective concerns, the real health of a bank could not be determined. The recommendations on the Financial System were given by the Narasimhan Committee – that bank must divide their advances into four categories for provisioning purposes: (i) standard assets, (ii) substandard assets, (iii) doubtful assets, and (iv) loss assets because it believed that the HCS's classification of assets did not comply with international standards.

Prudential standards for revenue recognition, asset classification, and provisioning were then gradually introduced starting in 1992. (1992; Narasimham). To reinforce the current requirements and put them in line with developing

international best practices, Prudential criteria were urged to be further tightened by the Narasimham Committee on Banking Sector Reforms in 1998. (Committee, 1998). The income recognition standards were further tightened in March in 2004; Instead of the previous 180 days, if an asset was unpaid for 90 days, it was now classified as a non-performing asset (NPA).

The loans, advances, and investments fall under the purview of the Non-Performing Asset (NPA) concept. If the asset continues to produce the revenue anticipated, and as long as it does not indicate any of the special risks beyond standard commercial risk, it is said to be functioning (Rajeswari Sengupta H. V., 2020). When an asset does not produce the expected income, it is referred to as a "Non-Performing Asset." Thus, when a loaned-out asset cease earning money for the bank, such as interest, fees, commissions, or any other dues, for a duration greater than 90 days, it becomes a non-performing asset (NPA). The advance is regarded as an NPA when interest or principal repayment instalments are not made for two quarters or longer, and if they have developed into "past due" (Chakrabarty, 2013). A debt is regarded as past due under any of the credit facility, if payment is not received 30 days after the due date.

Non-performing Loans is another term which is used by the banks or other financial institutions. It is given out by a bank or other financial institution to whom late fees or payback obligations apply (Shanu Singh, 2017). For a bank, a loan is an asset since it produces cash flows from interest and principal payments. A bank's profits are derived from interest payments. Assets that have not been maintained for a while are typically considered as nonperforming by banks. When payments are significantly past due (typically ninety days) then, that loan is termed as a non-performing asset. Payments that are only a little past due are considered past due.

The word, non-performing assets of NPAs is predominantly understood by the bankers. It is a typical asset that also functions as a lending asset. Once an asset no longer brings in money for the bank, it is considered nonperforming. A credit facility with interest or a principal instalment that has been past due for more than four quarters was considered a nonperforming asset prior to the 31st of March in 2004. As a result, the payment and settlement systems were improved and so, the economic recovery, banking technology upgrades, and other factors, the idea of past due will no longer be applicable as of March 31st, 2004.

2. LITERATURE REVIEW:
The paper by (Mahesh, 2010) studies the NPA arising from the various sectors. According to the findings, the priority sector has a greater NPA than the non-priority sector. However, the priority sector has considerably retained a few of the bad loans over time. The authors further suggested to adopt self-help group model to recover loans from the poor.

While conducting an ANOVA analysis, the researcher, (Sulagna Das, 2014) used banks data from the SBI and Associates and other public sector banks. The time period taken was from 2008 – 2013, including all those banks that come under the category mentioned above. The paper studied about the type of NPA, its causes and impact on the economy, more specifically in the banking sector. It was discovered that there is no difference between the various means of NPAs from the State Bank of India and its associates, as well as the other public sector banks, after generating the hypothesis of whether there is difference in the mean variation between the NPAs of the banks. Therefore, it was concluded that the banks used for study have similar NPA levels irrespective of their operations.

(Thangam Alagarsamy, 2017) studied the performance of NPAs in the State Bank of India using secondary data from a 5- year time period, from 2012 to 2017. There was a sudden increase in the gross NPA in the year 2014-15 after a decrease in the previous year. The sudden rise and further escalation in the NPA made the authors to suggest the need for urgent intervention of government to take strict actions.

(Paul, 2018) examined the extent and effect of the NPA in India by covering the root cause of NPA and further addressed the problem of growing NPA in India. The researcher rigorously studied what led to the rise of NPAs in India and found that there were factors contributing to the rise of NPA, both internal and external. The external factors such as global commodity price decrease, gradually led to lesser exports. Whereas, the internal factors included to the inefficiencies of the Indian banking sector. In the recent times, the cause of NPAs and the inability of the banks to lend money is contributed to the increased frauds and no instances of penalizing these fraudsters. The researcher emphasized that the major defaulters included the power house producers and the sugar mills.

3. Research Methodology & Objectives of the Study :
Weak evaluations and deficiencies in credit portfolio control have been named as the main contributing elements to the worrying situation (Parmod K Sharma, 2021). Therefore, the process to stop the accumulation of NPAs should begin with a sincere assessment of the proposal's risks, effective loan account monitoring, and the start of prompt corrective

action at the branch level. Consideration must be given to the finer details of risk assessment and credit monitoring that might help a bank seize and eliminate NPAs. As one digs deeper into the issue, it becomes clear that one of the primary causes of NPAs is the inadequate assessment of the risks associated with lending activities. The incapacity of a borrower to satisfy a repayment obligation has two independent components: first, risk from external factors outside of the borrowing unit's control, and second, factors internal to the unit.

To assess the efficiency of each schedule of commercial banks.

- To determine which NPA component in public sector banks is the main contributor to NPAs.
- To examine the distribution of scheduled commercial banks' outstanding advances to the priority sector.

4. ANALYSIS:

The figures illustrate the provisions outlaid by the various categories of the scheduled commercial banks. The provisions are simply the difference between the GNPA and the NNPA.

Summary of all Scheduled Commercial Banks by Net Profit, Total Assets, Gross NPA, Net NPA, and Total Number of Employment

| Year	Net Profit (Amount in 10000 Crore)	Total Assets (Amount in 10000 Crore)	Gross NPA (Amount in 10000 Crore)	Net NPA (Amount in 10000 Crore)	Total Employment (thousands)
2021	12.20	1959.46	83.78	25.82	1490.70
2020	1.09	1801.44	89.98	28.94	1465.96
2019	-2.34	1660.10	93.65	35.51	1364.29
2018	-3.24	1525.50	103.97	52.08	1333.41
2017	4.39	1417.46	79.18	43.31	1300.01
2016	3.41	1312.93	61.19	34.98	1256.09
2015	8.91	1203.70	32.33	17.58	1180.07
2014	8.09	1097.59	26.44	14.27	1150.28
2013	9.12	959.00	19.41	9.87	1096.98
2012	8.17	832.09	14.29	6.52	1048.52
2011	7.03	718.34	9.80	4.18	970.78
2010	5.71	602.69	8.47	3.91	950.18
2009	5.27	523.86	6.83	3.16	937.45
2008	4.27	432.62	5.63	2.47	907.34
2007	3.12	346.00	5.05	2.03	896.34
2006	2.46	278.59	5.11	1.85	876.96
2005	2.10	235.55	5.94	2.18	858.56

Source-secondary data based on RBI database

The above table presents a summary table for all the scheduled commercial banks from the time period 2005 – 2021.The table contains the net profits, total assets, Gross NPA, Net NPA and the total number of Employment.

Year	Net Profit (Amount in 10000 Crore)	Total Assets (Amount in 10000 Crore)	Gross NPA (Amount in 10000 Crore)	Net NPA (Amount in 10000 Crore)	Total Employment (thousands)
2021	3.18	1173.14	61.66	19.65	783.52
2020	-2.60	1078.28	67.83	23.09	790.66
2019	-6.66	1016.32	73.95	28.51	807.58
2018	-8.54	1003.49	89.56	45.45	844.16

Summary of Public Sector Banks by Net Profit, Total Assets, Gross NPA, Net NPA, and Total Number of Employment

The above table presents the summary of the performance in the public sector banks including net profit, total assets, gross NPA, net NPA and total number of employments over the years 2018 - 2021. The net profit over the mentioned period is only visible in the Year 2021. In the rest of the years, there are only losses.

As shown in the graph above, there is a huge divergent gap between the GNPA and NNPA in the year 2020.

GNPA and NNPA of the Public Sector Banks as a Percentage of All Scheduled Commercial Banks
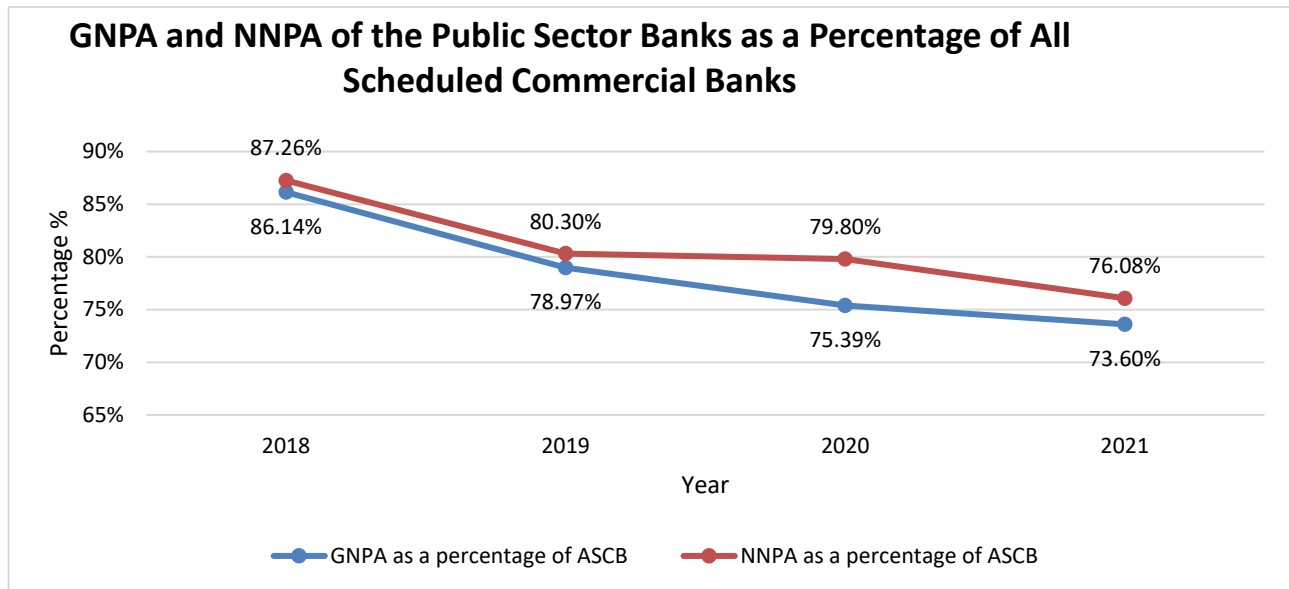
It must be noted that in all the years, NNPA is greater than the GNPA. These indicate that the percentage of provisions in the public sector banks of all the scheduled commercial banks have decreased considerably in the year 2020 in comparison to 2019.

Summary of Private Sector Banks by Net Profit, Total Assets, Gross NPA, Net NPA, and Total Number of Employment

Year	Net Profit (Amount in 10000 Crore)	Total Assets (Amount in 10000 Crore)	Gross NPA (Amount in 10000 Crore)	Net NPA (Amount in 10000 Crore)	Total Employment (thousands)
2021	6.95	643.10	20.01	5.58	570.71
2020	1.91	583.21	20.96	5.57	554.42
2019	2.76	529.79	18.36	6.73	477.71
2018	4.18	429.89	12.93	6.44	420.53
2017	4.22	360.14	9.32	4.78	403.46
2016	4.13	314.67	5.62	2.67	374.79
2015	3.87	260.33	3.41	1.41	310.04
2014	3.38	225.88	2.45	0.89	294.97
2013	2.90	198.98	2.11	0.60	273.07
2012	2.27	169.31	1.88	0.44	248.28
2011	1.77	139.82	1.82	0.44	187.91
2010	1.31	115.07	1.76	0.65	182.52
2009	1.09	102.78	1.69	0.74	176.34
2008	0.95	94.01	1.30	0.56	158.82
2007	0.65	74.54	0.93	0.40	139.04
2006	0.50	57.16	0.78	0.32	110.51
2005	0.35	42.79	0.88	0.42	92.42

The above table presents the summary of private sector banks. In this case of the banks, the net profits remained at rise from 2005 – 2021. However, the only period where the net profits declined are in the year 2019. The net profits declined from Rs. 4.18 '0000 crore

GNPA and NNPA of the Private Sector Banks as a Percentage of All Scheduled Commercial Banks
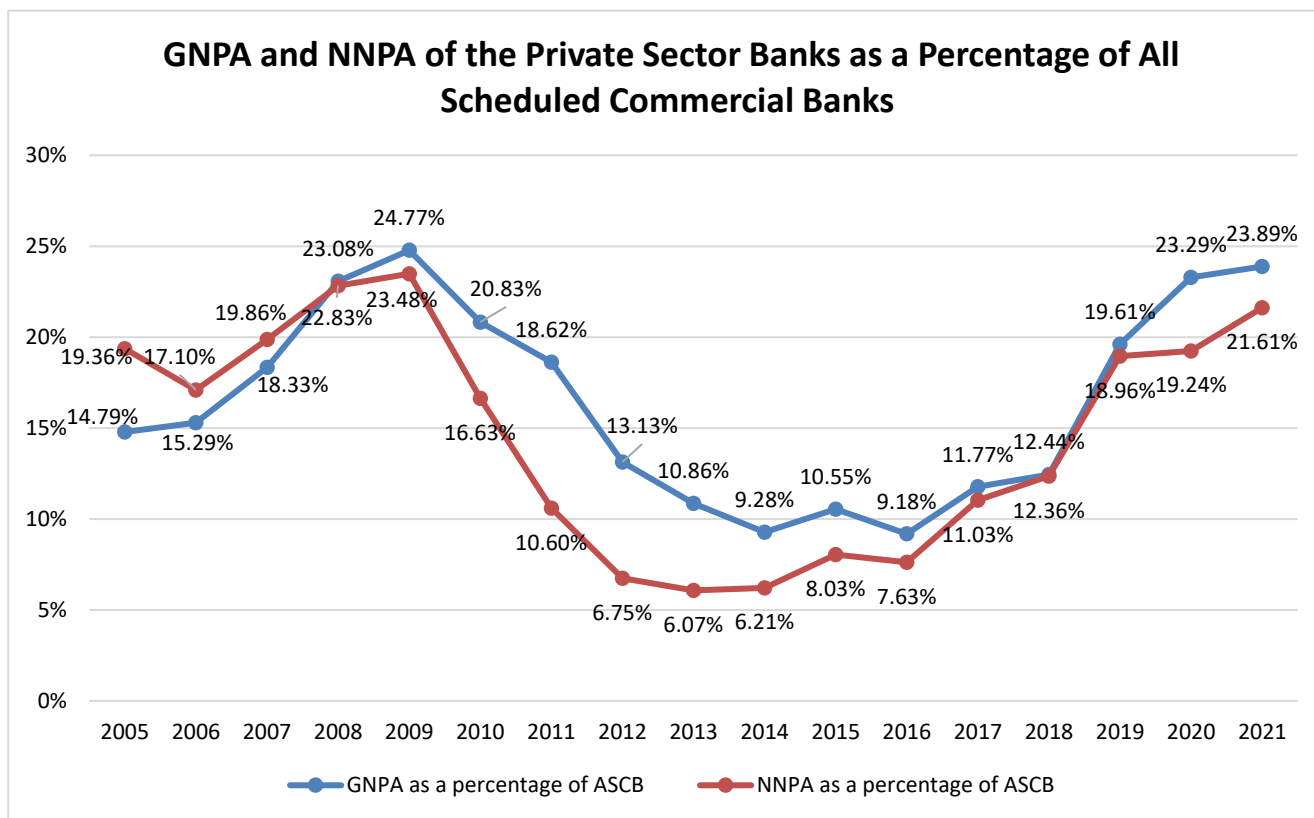
The above figure depicts the gap between GNPA and NNPA of the private sector banks as a percentage of all scheduled commercial banks. As it can be seen in the figure above, the NNPA was greater than GNPA for the years 2005 till 2008. in 2018 to Rs. 2.76 '0000 crore in 2019. The net profits continued to decline till the year 2020 and soon recovered at speed in the year 2021.

5. CONCLUSION:

This study aims to assess the amount of non-performing asset-related inefficiencies in the Indian banking system using data from 46 institutions for the fiscal years 2005 through 2021. (NPAs). The analysis was divided into four parts based on each section's goal. The study's primary goal is to comprehend how well each category of Indian scheduled commercial banks is performing. Net assets, NPA levels, net income, and employment levels are used to achieve this. The evaluation based on each variable's trend is still the major concern. In order to achieve this goal, the study makes an effort to identify patterns in trends and suggests potential causes (Ibrahim, Components of Non-performing Assets (NPAs) of Indian Scheduled Commercial Banks - A Review, 2012). This goal provides a summary of all scheduled commercial bank categories operating in India from 2005 to 2021. There are many different types of Indian scheduled commercial banks, including public sector banks, private sector banks, foreign banks, small financing banks, payments banks, nationalized banks, and SBI and its affiliates.

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