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A comparative statistical approach on non-performing assets (NPAs) among PNB and ICICI bank operating 2011-2018

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Abstract

The banking sector phasing Non- Performing Assets (NPA) as a major problem in India. The rising of NPAs has become foremost concerns for the banking sector in India. The current paper is an effort to undertake an inter-bank comparison of non-performing assets (NPA) of Punjab national bank (PNB) and ICICI bank, during the operating period 2011-2018.The data has been collected for seven years ranging from 2011-12 to 2017-18, from annual reports of the respective bank's website. The outcomes of the study disclose that PNB banks have significantly higher The Gross NPAS / The Gross advances ratio, The Gross NPAs/ The Total assets ratio, The Net NPAs / The Net advances ratio, The Net NPAs/The Total assets ratio and The Total provision ratio as compared to ICICI banks. Though the shareholder's risk ratio is significant lowers in ICICI bank when compared to PNB bank. Correlation analysis indicated that there is a significant negative correlation between The Gross NPA and The Net Profit, significant positive correlation between The Net NPA and The Net Profit in PNB bank. However, in ICICI bank, there is a negative correlation between the Gross NPA and The Net Profit and The Net NPA and The Net Profit but then it is not significant. In sector-wise NPAs, The agriculture sector, as well as the personal loans sector, was significant lowers in ICICI bank when compared to PNB bank. Though the industry sector and the services sector is comparable among PNB bank and ICICI bank. The outstanding amount is lower in ICICI bank as compared to PNB bank; this is a very positive sign for ICICI bank. The amount of NPAs in ICICI bank is lessen then PNB bank, because of their effective NPA management. The amount of NPA is reasonably lower in ICICI bank when compare with PNB bank. To bring improvement in the efficacy and productivity of PNB banks, the NPA is essential to be controlled and supervised.

Keywords: NPAs, advances, gross profit, net profit, PNB, ICICI.

Introduction

Generally, the banking sector makes available the funds in the form of loans and advances to its customers and gaining the value in the economy of many countries. In India, with the emergence of liberalization and globalization, there has been subsequent development in marketing, this leads to a tremendous change in the intermediation role of the banking sector. Usually, two types of crucial roles, the banks are used to perform i.e. to make available the loans to the customers and receiving deposits from them. For bank expansion, it has to provide progressively more funds to the customers. In different sectors for example industry, agriculture, personal and housing; the bank is to provide money as loans. Accordingly, reserve bank of India (RBI), non-performing assets (NPAs) is an asset where the principal and interest cannot repay by the debtor for their principal amount. Influence of NPAs over the banking profitability: i. drop in the profitability by generating NPA in the form of interest, ii. generate adverse impact over the liquidity, iii. inversely disturbs the balance sheet (iv) Distress the image of the banks.

Now a day accumulating NPAs in banks making them very cautious in prolonging advances and handling NPAs has become the most important tasks. As a result, productivity, efficiency, and profitability suffer and NPAs increases. The volume of NPAs reflects the efficiency of the bank. If lesser the NPAs, greater will be the efficacy, progress and potentiality and vice versa. In the Indian banking sector, NPAs is high because of following reason[1-3]. The Indian banking segment tends to have the highest NPA in 2006 and after that, it is continuously decreasing[4]. However, yet again there is an increasing trend of NPA in 2011 to 2015[5]. A study on Punjab National Bank (PNB) for operating period 1996-1997 to 2009-2010, the ratio of NPAs in priority sector has amplified significantly among NPAs[6]. In another study, there was a progressive relation between the Net Profits and NPAs of PNB for the financial period 2006-07 to 2011-12[7]. This indicates that NPA increases, as profits, increase[8]. A study on ICICI bank (as compare to SBI), proved that effective NPAs supervision leads to falling down of NPA in 2011-2013[9]. However afterward, as compared to HDFC Bank and Axis Bank, the ratio of net NPAs is growing in ICICI Bank in period 2011-2012 to 2015-16[10]. However, one recent study clear that, during operating period 2011-2018, the level of NPAs is growing in SBI bank as matched to ICICI banks[11]. Individual well-liked SBI bank to require loans and advances as compared to ICICI bank[12]. At the present moment, it is crucial to lessen

NPAs to develop the economic strength in the financial institution.

Objective: The current paper is an effort to undertake an inter-bank comparison of NPAs among Punjab national bank (PNB) and Industrial Credit and Investment Corporation of India (ICICI) bank during the operating period 2011-2018.

Methodology

Collection of data: The secondary data is collected for seven years ranging from 2011-12 to 2017-18, from annual reports of the respective bank's website.

Statistical analysis: Data are conveyed with a mean ± standard deviation (SD). Whole data has been evaluated with the help of SPSS with reference to ratio analysis and percentage analysis. We have used Independent student "t" test to define the relative importance (significant) of each variable in affecting the performance of bank among them and the level of significance is fixed at $p< 0.05$.

Finding and Interpretation

The comparative data with a percentage change in the Gross NPAs / The Gross Advances Ratio and The Gross NPAs/ The Total Assets Ratio.

The data are briefed in (Table-1A and B) with Mean ± SD. We observed that the Gross NPAs / the Gross advances ratio and the Gross NPAs/the Total assets ratio are significantly higher with PNB bank then ICICI bank. This indicates that the management of PNB bank has been given less attention to managing the amount of the Gross NPA and the total assets. Hence, a progressive relation between NPA and problematic assets is observed. Growth in the gross NPA is because of the increase in advances. Hence the quality of the loans along with its recovery made by the PNB is not good as compare to ICICI.

The comparative data with a percentage change in the Net NPAs / The Net Advances Ratio and The Net NPAs/ The Total Assets Ratio.

The data are briefed in (Table-2A and B) with Mean ± SD. We observed that the Net NPAs / the Net advances ratio and the Net NPAs/ the Total assets ratio are significantly higher with PNB bank then ICICI bank. This indicates that to make satisfactory provisions against NPAs, PNB bank is getting failed to recover NPAs from defaulters. This indicates that recovery of the loans made by the PNB bank is not good as ICICI bank.

The comparative data with a percentage change in the Total Provision Ratio and The Shareholder's Risk Ratio.

The data are briefed in (Table-3A and B) with Mean ± SD. We observed that the total provision ratio is significantly higher in ICICI bank then PNB bank. This indicates that as compare to PNB, ICICI have made better provisions for their gross NPA. In addition to the Shareholder's risk ratio is significant lowers in ICICI bank then PNB bank.

It points out the PNB bank has been unsuccessful in building provisions contrary to NPAs, on account of increased risk ratio. This is not the good sign and the PNB bank needs to take a major step to decrease the risk ratio. This can be beneficial to improve the value of the shares in a competitive market. As compare to PNB bank, this signifies that the shareholder's funds are also safer in ICICI bank.

The correlation relationship between the Gross NPA, the Net NPA, and The Net profit among PNB and ICICI for the operating period for 2011-2018.

The Net profit data are published in our previous paper[13] and remaining data (the gross NPA and the Net NPA) are summarized in (Figure-1A, 1B, 2A and 2B). In PNB, there is significant negative correlation between Gross NPA and Net Profit [$r(5)=-0.93$; $P=0.01$] (Figure-1A) and significant positive correlation between Net NPA and Net Profit [$r(5)=0.98$; $P=0.01$] (Figure-1B). However, in ICICI, we detected a negative correlation between Gross NPA and Net Profit [$r(5)=-0.17$; $P=0.70$] (Figure-2A) but then it was not significant as in PNB. In addition, there was a negative correlation between Net NPA and Net Profit [$r(5)=-0.10$; $P=0.82$] (Figure-2B) but then again then it was not significant.

The comparative data with a percentage change in a ratio of the Sector-Wise Advances and The Sector-Wise NPAs for both Priority and Non-Priority Sector.

The data are summarized in (Table-4A and B, Figure-3A and B) with Mean ± SD. We didn't observe any significant change in altogether sector wise advances (such as Priority sector, Public sector Bank, Others, and Total advances) among PNB bank and ICICI bank. Industry sector has the highest NPA among both priority and non- priority sector in PNB bank as well as ICICI bank. However, in sector-wise NPAs, agriculture sector along with personal loans sector was significant lesser in ICICI bank then PNB bank. Though the industry sector and services sector was comparable among PNB and ICICI bank.

The comparative data with a change in Restructured of Assets Classification for the total assets (including The Standard assets, The Sub-standard assets, The Doubtful assets, The Loss assets).

The data are summarized in (Table-5A and B) with Mean ± SD. The average of No. of borrowers (of total assets) and provision thereon (of total assets) is comparable among PNB bank and ICICI bank. However, there is a significant decrease in the amount outstanding in ICICI bank then PNB bank for operating period 2011-2018. This indicates that to recover the installments as well as interest, PNB banks have to follow up the loan accounts strongly as compared to ICICI bank.

Table-1A: Gross NPAs / Gross Advances Ratio and Gross NPAs/ Total Assets Ratio.

	PNB				
Year	GNPA (Crores)	GADV (Crores)	T. Assets (Crores)	GNPA/GADV×100	GNPA/T. Assets×100
2011-2012	8719.62	297958.82	458194.00	2.93	1.90
2012-2013	13465.79	314828.05	478877.04	4.27	2.81
2013-2014	18880.06	358006.28	550419.92	5.24	3.43
2014-2015	25694.86	390336.16	603333.60	6.58	4.26
2015-2016	55818.33	432180.23	667390.46	12.91	8.36
2016-2017	55370.45	441536.64	720330.55	12.54	7.69
2017-2018	86620.05	471346.54	765830.10	18.42	11.31
Mean ± SD				8.98±5.71	5.68±3.47

Table-1B: Gross NPAs / Gross Advances Ratio and Gross NPAs/ Total Assets Ratio.

	ICICI				
Year	GNPA (Crores)	GADV (Crores)	T. Assets (Crores)	GNPA/GADV×100	GNPA/T.Assets×100
2011-2012	9475.33	261342.05	473647.09	3.62	2.00
2012-2013	9607.75	297626.00	536794.68	3.23	1.79
2013-2014	10505.84	345910.52	594641.58	3.03	1.77
2014-2015	15094.69	396361.23	646129.29	3.81	2.34
2015-2016	26221.25	448522.11	720695.10	5.85	3.64
2016-2017	42159.39	481174.66	771791.45	8.76	5.46
2017-2018	53240.18	537811.91	879189.16	9.90	6.06
Mean ± SD				5.45±2.82*	3.29±1.80*

*Significant change when compare with PNB (Source of data:https://www.pnbindia.in/; https://www.icicibank.com/.)

Table-2A: NET NPAs / NET Advances Ratio and NET NPAs/ Total Assets Ratio.

	PNB				
Year	NNPA (Crores)	NADV (Crores)	T. Assets (Crores)	NNPA / NADV × 100	NNPA / T. Assets × 100
2011-2012	4454.23	293774.76	458194.00	1.53	0.97
2012-2013	7236.50	308725.21	478877.04	2.34	1.51
2013-2014	9916.99	349269.12	550419.92	2.84	1.80
2014-2015	15396.00	380534.40	603333.60	4.05	2.56
2015-2016	35422.57	412325.80	667390.46	8.60	5.31
2016-2017	32702.10	419493.15	720330.55	7.80	4.54
2017-2018	48684.29	433734.72	765830.10	11.22	6.36
Mean ± SD				5.48±3.70	3.29±2.09

Table-2B: NET NPAs / NET Advances Ratio and NET NPAs/ Total Assets Ratio.

	ICICI				
Year	NNPA (Crores)	NADV (Crores)	T. Assets (Crores)	NNPA/ GADV × 100	NNPA/ T. Assets × 100
2011-2012	1860.84	253727.65	473647.09	0.73	0.39
2012-2013	2230.50	290249.43	536794.68	0.77	0.42
2013-2014	3297.96	338702.64	594641.58	0.97	0.55
2014-2015	6255.53	387522.07	646129.29	1.61	0.97
2015-2016	12963.08	435263.94	720695.10	2.98	1.80
2016-2017	25216.81	464232.08	771791.45	5.43	3.27
2017-2018	27823.56	512395.29	879189.16	5.43	3.16
Mean ± SD				2.56±2.10*	1.50 ±1.26

Table-3A: Total Provision Ratio and Shareholder's Risk Ratio.

Year	PNB					
	Total provision ratio and Shareholder's risk ratio					
	GNPA (A) (Crores)	NNPA (B) (Crores)	T. Provision (C) (Crores)	T. Capital reserve (D) (Crores)	T. Provision ratio (C/A× 100)	Shareholder's risk ratio (B/D×100)
2011-2012	8719.62	4454.23	4184.06	27817.07	47.99	16.01
2012-2013	13465.79	7236.50	6102.84	32676.90	45.32	22.15
2013-2014	18880.06	9916.99	8737.16	35895.32	46.28	27.63
2014-2015	25694.86	15396.00	9801.76	39079.52	38.47	39.40
2015-2016	55818.33	35422.57	19854.43	38310.14	35.57	92.46
2016-2017	55370.45	32702.10	22043.49	41846.98	39.81	78.15
2017-2018	86620.05	48684.29	37611.82	41074.31	43.42	118.53
Mean ± SD					42.40±4.55	56.33±39.90

Table-3B: Total Provision Ratio and Shareholder's Risk Ratio.

Year	ICICI					
	Total provision ratio and Shareholder's risk ratio					
	GNPA (A) (Crores)	NNPA (B) (Crores)	T. Provision (C) (Crores)	T. Capital reserve (D) (Crores)	T. Provision ratio (C/A×100)	Shareholder's risk ratio (B/D×100)
2011-2012	9475.33	1860.84	7614.49	60405.24	80.36	3.08
2012-2013	9607.75	2230.50	7377.19	66705.96	76.78	3.34
2013-2014	10505.84	3297.96	7207.88	73213.33	68.61	4.50
2014-2015	15094.69	6255.53	8839.16	80429.36	58.56	7.78
2015-2016	26221.25	12963.08	13258.17	89735.58	50.56	14.45
2016-2017	42159.39	25216.81	16942.58	99951.07	40.19	25.23
2017-2018	53240.18	27823.56	25416.62	105158.94	47.74	26.46
Mean ± SD					60.40±15.29*	12.12 ±10.15*

Table-4A: Ratio of Sector-Wise Advances.

	PNB								
Year	Priority sector (A) (Crores)	Public sector (B) (Crores)	Bank (C) (Crores)	Others (D) (Crores)	Total Advances (T) (Crores)	A/T×100	B/T×100	C/T×100	D/T×100
2011-2012	92032.95	22672.71	1504.04	155810	293774.8	31.32773	7.717719	0.51197	53.03722
2012-2013	92752.97	21385.57	26.31	162502.4	308725.2	30.04386	6.927057	0.008522	52.63657
2013-2014	117835.2	24871.71	0.00	166087.1	349269.1	33.73765	7.121073	0.00	47.55276
2014-2015	138237.1	19342.83	51.68	170467.7	380534.4	36.32711	5.08307	0.013581	44.79693
2015-2016	139395.5	18909.91	0.31	201094	412325.8	33.80712	4.586157	7.52E-05	48.77064
2016-2017	133128.1	19939.11	1.7	216423.3	419493.2	31.73545	4.753143	0.000405	51.59162
2017-2018	156285.1	38987.68	1.23	197458	433734.7	36.03242	8.988831	0.000284	45.52506
Mean ± SD						33.28±2.38	6.45±1.68	0.076±0.19	49.13±3.36
	ICICI								
2011-2012	59285.64	1196.83	1546	123826.8	253727.7	23.36586	0.471699	0.609315	48.80304
2012-2013	59794.05	1343.85	18.79	155735.7	290249.4	20.60092	0.462998	0.006474	53.65582
2013-2014	64551.75	2775.48	28.77	181650.7	338702.6	19.05853	0.819444	0.008494	53.63131
2014-2015	76209.29	3537.41	14.66	213640.7	387522.1	19.66579	0.912828	0.003783	55.12993
2015-2016	92434.87	4432.91	28.34	244555.9	435263.9	21.23651	1.018442	0.006511	56.18565
2016-2017	106552.7	12999.14	344.88	269342	464232.1	22.95247	2.800138	0.07429	58.01882
2017-2018	92970.17	19770.45	77.73	335146.9	512395.3	18.14423	3.858437	0.01517	65.40787
Mean ± SD						20.71±1.94	1.47±1.31	0.1034±0.22	55.83±5.10

Table-4B: Sector-Wise NPAs for both Priority and Non-Priority Sector.

	PNB				ICICI			
Year	Agriculture (%)	Industry (%)	Services (%)	Personal loans (%)	Agriculture (%)	Industry (%)	Services (%)	Personal loans (%)
2011-2012	5.03	2.86	3.46	2.54	4.78	2.02	0.92	9.18
2012-2013	6.33	5.47	2.80	3.31	3.60	2.28	2.47	5.80
2013-2014	4.05	6.01	5.48	3.81	3.62	3.04	3.45	2.49
2014-2015	5.37	8.94	5.20	4.88	2.97	4.66	5.38	1.32
2015-2016	6.00	25.35	7.10	3.28	3.15	9.68	6.45	1.05
2016-2017	8.53	24.86	6.37	3.41	3.11	18.13	6.46	0.97
2017-2018	10.99	33.88	14.25	4.60	3.14	22.54	6.48	1.23
Mean ± SD	6.61±2.37	15.33±12.35	6.38±3.78	3.69±0.81	3.48± 0.62*	8.90±8.31	4.51±2.25	3.4±3.16*

Discussion: At present scenario, NPAs are one of the vital issues tackled by the banking sector. The efficiency of the bank can be assessed by the quantity of NPA in that bank. If lower the NPA, higher will be the efficiency, progress and potentiality and vice versa. The liquidity, profitability, quality of asset and existence of the bank is getting affected by NPAs. Higher NPAs indicate that there is an increase in credit defaulters, and this may affect the profitability of the bank.

In PNB, for the financial period (1996-1997 to 2009-2010), the gross NPAs to the gross advance ratio and the gross NPAs to the total assets has shown a decreasing trend, while there was a significant increase in the amount of NPAs in the Priority Sector to the Total NPAs[5]. In another study, there was a progressive relation between the Net Profits and the NPAs of PNB for financial period 2006-2012[7]and 2011-2018[13]. NPA in ICICI bank has shown downward as compared to SBI in the financial year 2011-2013, due to effective NPA supervision. This study indicates the relationship between the Net Profit and the Net NPA, this is positive for SBI bank, while it's negative for ICICI bank[9]. The percentage of problem assets ratio is not stable for both the PNB and ICICI bank. However, there is a significant decrease in ICIC bank, when it compares to PNB bank. It appears that the management of PNB banks has given attention toward Gross NPAs and the total assets. An increase in advances, leads to rise in the gross NPAs. The retrieval of loans, as well as the existence of bad loan, determines the profitability of a bank. We have found a significant negative correlation between the Gross NPA and the Net Profit in PNB. This negative correlation shows that rise in the Gross NPA, falls the Net profit in PNB bank. But in a circumstance of ICICI bank, this negative correlation is not significant; this shows that the Gross NPA has not affected the net profit as poorly as PNB bank. The amount of the gross advance is increasing every year, leads to an increase in the interest income and subsequently income of the bank. Usually, a maximum number of the debtor compensate their installments on time, somehow few become unsuccessful to recompense their liability. If the NPAs are larger will leads to a reduction in profit. The net NPAs, along with net profit both, increased consecutively, a positive correlation exists among them[14] as we observed in our study for PNB bank. However, this correlation is negative in ICICI bank, though it is not significant. The study of NPAs (2010 to 2017) in Indian banking sector revealed that as compared with the private sector banks, the NPAs is greater in the public sector banks[15]. The retrieval of loans or NPAs influences the financial situation of the bank. Generally, decreasing NPAs provides that banks have better credit appraisal processes and growing NPAs needs provision to get down the total profit of banks[16]. The total provisions against the gross NPAs must be least to the Net NPA[17]. As compare to PNB, ICICI bank has made better provisions for their gross NPA in this study. This marks a very really acceptable position of ICICI and it signifies the suitable policy of the management. This is not a worthy indication for PNB bank. Henceforth, in order to reduce the level of NPA, the PNB banks need to create sufficient provision. If the Net NPA is positive or more than zero it shows that shareholders are exposing to great risk. Hence it is important to see that the shareholder's funds are safe. So, this shareholders risk ratio becomes essential for the shareholders. In our study, the shareholders risk ratio of ICICI is significantly lesser then PNB bank. This indicates that Shareholder's funds are safer in ICICI bank then PNB bank.

Table-5A: Restructured of Assets Classification (in lacs, except a number of accounts)

PNB					
Year	Standard assets	Sub-standard assets	Doubtful assets	Loss assets	Total
2011-2012					
No. of Borrowers	450.00	13.00	0.00	0.00	463.00
Amount outstanding	1480666.00	52726.00	0.00	0.00	1533392.00
Provision thereon	48945.00	852.00	0.00	0.00	497987.00
2012-2013					
No. of Borrowers	985.00	1973.00	17.00	0.00	2975.00
Amount outstanding	3052747.00	130480.00	31117.00	0.00	3214344.00
Provision thereon	318605.00	11185.00	579.00	0.00	330369.00
2013-2014					
No. of Borrowers	753.00	17.00	04.00	0.00	774.00
Amount outstanding	3550748.03	104752.61	8505.95	0.00	3664006.59
Provision thereon	520268.53	18988.71	534.10	0.00	539791.34
2014-2015					
No. of Borrowers	692.00	36.00	07.00	1.00	736.00
Amount outstanding	3831540.81	333202.47	67461.18	1705.67	4233910.13
Provision thereon	527842.52	64609.88	11418.20	0.00	603870.60
2015-2016					
No. of Borrowers	299.00	51.00	21.00	1.00	372.00
Amount outstanding	2014378.72	814056.94	360714.26	8320.74	3197470.66
Provision thereon	255680.49	96216.16	40122.85	0.00	392019.50
2016-2017					
No. of Borrowers	117.00	39.00	34.00	0.00	192.00
Amount outstanding	1193232.24	114356.59	603393.07	0.00	1910981.90
Provision thereon	150094.45	17987.31	58235.13	0.00	226316.89
2017-2018					
No. of Borrowers	896.00	39.00	35.00	3.00	973.00
Amount outstanding	523482.95	262602.02	418449.22	46098.13	1250632.32
Provision thereon	51437.96	5136.63	29574.44	0.00	86149.03
Mean±SD (2011-2018)	PNB				
No. of Borrowers	926.42 ± 941.61				
Amount outstanding	2714962.51 ± 1145777.69				
Provision thereon	382357.62 ± 183533.80				

Table-5B: Restructured of Assets Classification (in lacs, except a number of accounts)

ICICI					
Year	Standard assets	Sub-standard assets	Doubtful assets	Loss assets	Total
2011-2012					
No. of Borrowers	28.00	2.00	2.00	0.00	32.00
Amount outstanding	3735.58	49.29	17.25	0.00	3802.12
Provision thereon	374.46	1.55	0.92	0.00	376.93
2012-2013					
No. of Borrowers	174.00	8.00	295.00	7.00	484.00
Amount outstanding	5825.22	185.59	900.48	31.62	6942.91
Provision thereon	510.38	15.96	595.56	31.62	1153.52
2013-2014					
No. of Borrowers	865.00	8.00	202.00	14.00	1080.00
Amount outstanding	11652.47	28.76	1699.28	62.47	13442.98
Provision thereon	1094.52	7.83	1087.21	37.24	2226.80
2014-2015					
No. of Borrowers	1256.00	20.00	55.00	141.00	1472.00
Amount outstanding	11946.04	365.25	5132.85	276.850	17720.99
Provision thereon	928.71	92.55	2456.42	276.85	3754.53
2015-2016					
No. of Borrowers	424.00	739.00	75.00	127.00	1365.00
Amount outstanding	9313.04	61.14	95248.91	867.98	19767.05
Provision thereon	740.27	10.23	5046.69	867.98	6665.17
2016-2017					
No. of Borrowers	304.00	221.00	785.00	104.00	1414.00
Amount outstanding	4548.25	244.78	9489.56	154.87	14437.46
Provision thereon	283.28	36.83	4304.98	154.87	4779.96
2017-2018					
No. of Borrowers	242.00	231.00	1003.00	96.00	1572.00
Amount outstanding	1594.98	5.88	13487.43	95.26	15183.55
Provision thereon	42.18	3.15	8825.47	95.26	8966.06
Mean±SD (2011-2018)	ICICI				
No. of Borrowers	1059.85± 582.97				
Amount outstanding	13042.43 ± 5721.12*				
Provision thereon	3988.99± 3076.95*				

Provisions in banking are created on the knowledge of classification of non-performing assets into a completely different class such as the sub-standard assets, the doubtful assets and the loss assets[18]. The sub-standard assets ratio is a quantitative relation specifies the possibility for upgrading in NPA. Higher the sub-standard assets ratio, a better possibility is for recovering the advances. The standard asset of the bank is affected by a greater percentage of the doubtful assets in compare to the sub-standard assets. Reduction in the doubtful assets ratio is acceptable as it will retrieve a lot of the loans through compromise. The administration should take vital steps to extend the percentile of the sub-standard assets and to minimize the doubtful as well as and the loss assets. The loss assets ratio is the assets ratio cannot be recovered by the bank, greater the ratio would recommend greater the losses. The bank should take its condition extremely and build ways to reduce the loss assets ratio. Provisioning in bank provides the data concerning the loss which bank has to suffer during the fiscal year on account of writing off a loan for which retrievals are likely to be almost nothing. Amount outstanding is the amount of loan money which has to pay back by the borrower to the bank. In our study, we have observed that the outstanding amount is significantly lower in ICIC bank as compared to PNB bank in this study. Hence, to recover the installments as well as interest, PNB banks have to follow up the loan accounts strongly for as compared to ICICI bank.

Limitation: This study is limited to seven years only; this may not provide accurate results, since this study relies on secondary data information.

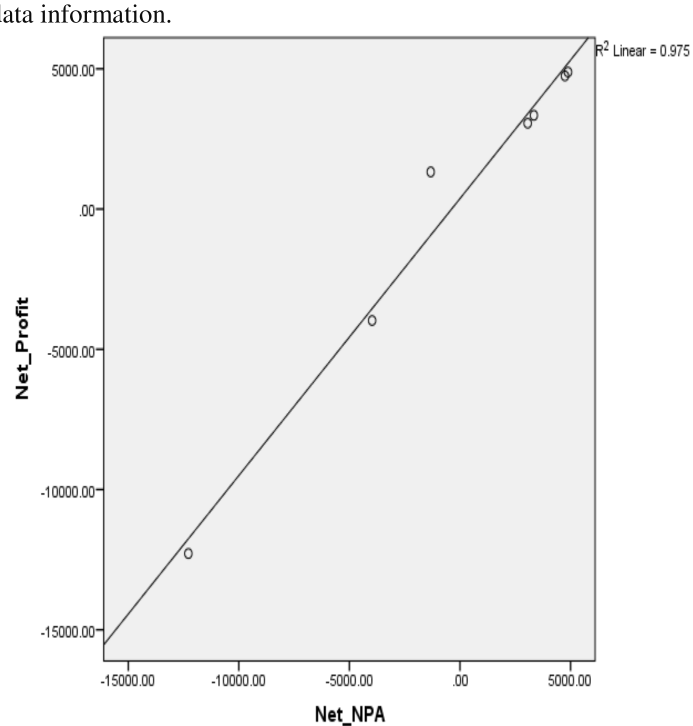

Figure-1A: The positive correlation between Net NPA and Net Profit in PNB.

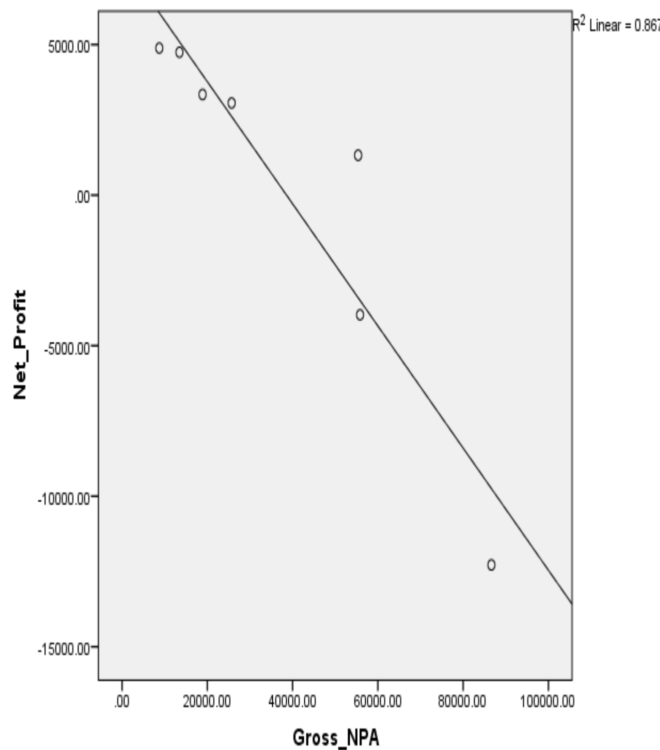

Figure-1B: The negative correlation between Gross NPA and Net Profit in PNB.

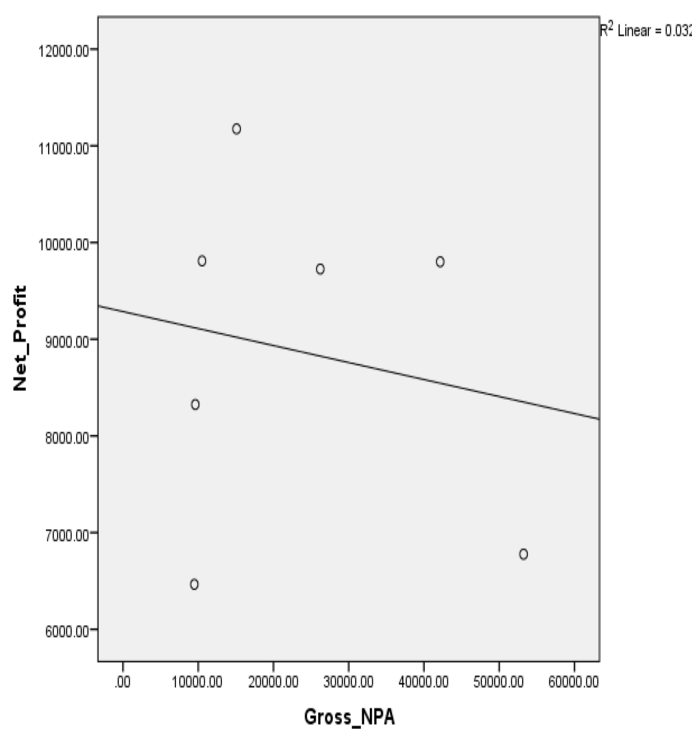

Figure-2A: The negative correlation between Gross NPA and Net Profit in ICICI.

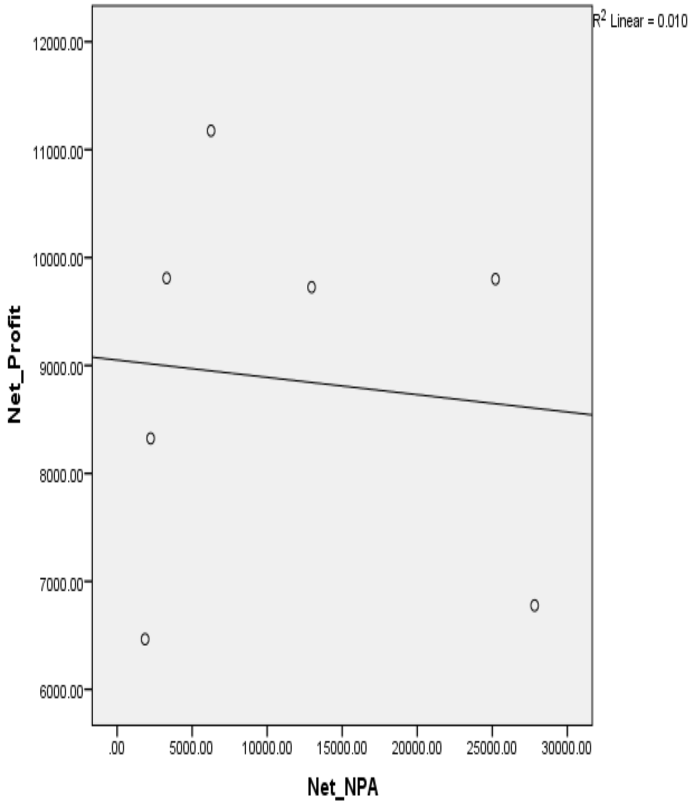

Figure-2B: The negative correlation between Net NPA and Net Profit in ICICI.

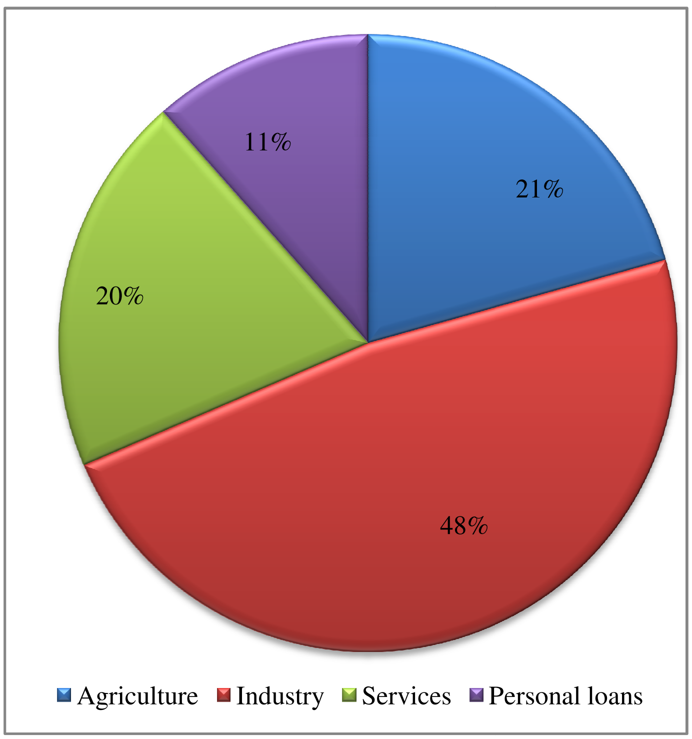

Figure-3A: Sector-Wise NPAs in PNB Bank.

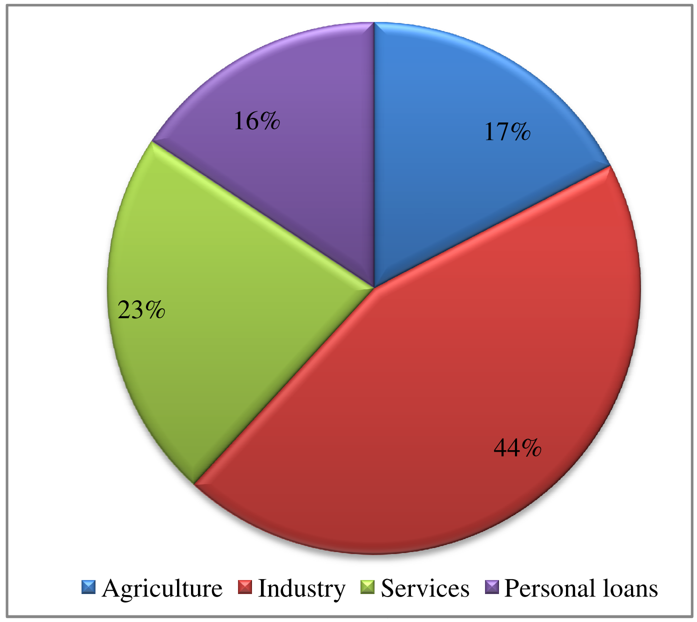

Figure-3B: Sector-Wise NPAs in ICICI Bank.

Conclusion

Now a day, NPA become a major cause of concern of the banks. It is found that the level of NPAs in ICICI bank is downward then PNB bank, because of their effective NPA management. The amount of NPA is reasonably lower in ICICI bank when compare with PNB bank. The NPA needs to be reduced and controlled for the proficiency and profitability of PNB banks. It solely requires proper management, enough precautions and timely follow up of loan reimbursement from customers. If PNB banks wish to perform healthy within the market, then they need to pick their client wisely. For meeting consumer needs and facing competition from other banks, PNB bank should invent unique strategy. The administrator has to monitor the NPA of banks by a credit of the client before providing loans because the liquidity of banks is getting affected by NPA. The problematic NPA requires lots of exertions or else NPAs will retain killing the profit of banks. This is not worthy for the rising economy at all.

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