

# A Comparative Study on Non-Performing Assets with Reference to State Bank of India and Union Bank of India, Anantapur

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## ABSTRACT

A strong banking sector has always been important factor for economy to flourish. Once the banking sector fails it always has negative effect on the other sectors. Non-performing assets have always been one of the major concerns in India. Banks performance is reflected by its NPA level. Non-Performing Assets are a burning topic of concern for the public sector banks, as managing and controlling NPA is very important. The current paper with the help of secondary data, from RBI website, tried to analyze the 5 years, (from 2017-2018 to 2021-2022) net non-performing asset data of State Bank of India and Union Bank of India by using correlation, and with the help of SPSS software. The main objective of the study is to find out if there are any significant differences in the mean variation of the concerned banks. This paper also focuses on the reason behind the NPA and its impact on banking operations. This study will give clear picture of NPA and discloses the needs objectives to study about NPA. NPA is studied by using bar diagram and certain test the hypothesis regression test is also used which helps to understand the degree and relation between the profits and gross NPA along with the levels of profits which helps to understand easily.

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## INTRODUCTION

### MEANING AND DEFINITION:

Non-performing assets is a loan/advance for which the re- instalment of principal or interest or both stays outstanding for a long period, in simple terms non-performing assets means the debt or the re- payment is irregular its known as non-performing assets (NPA).

### NPA DEFINED BY RBI:

Any asset and it also includes leased asset can become NPA when income stops to be generated from it for the bank. It is an advance or loan where for 90 days' time interest or instalment of principle **amount** may remain overdue.

### TYPES OF NPA'S:

#### ➤ Gross NPA

Gross NPA ratio = Gross NPAs/Gross Advance

### COMPANY PROFILE OF SBI:

Name of the organisation : State Bank of India  
Industry : Banking, financial services  
Founded : 1 July 1955

#### ➤ Net NPA

Net NPA ratio = Net NPAs/Net advance

### INDUSTRY PROFILE:

- A bank is budgetary establishment that provides saving and monetary administration to their customers. Its monetary intuition that takes money from people and provides credit. It also performs lending activities directly or indirectly through capital markets.
- The banking industry is an enormous sector of business and finance that as existed in human civilization in some form of 1000 of years.
- Banking in India forms the base for the economic development of the country.

Headquarters	:	Mumbai
CEO & Chairman	:	Dinesh Kumar Khara
Area served	:	World wide
Website	:	<a href="http://www.sbi.co.in">http://www.sbi.co.in</a>
Total assets	:	48.46 lakh crores (2021)
No. of Employees	:	2,45,652

#### **COMPANY PROFILE OF UBI:**

Name of the organisation	:	Union Bank of India
Industry	:	Banking, financial services
Founded	:	11 November 1919
Head Quarters	:	Mumbai
CEO & Chairman	:	Rajkiran Rai. G
Area served	:	India wide
Website	:	<a href="http://www.ubi.com">www.ubi.com</a>
Total assets	:	10.72 lakh crores (2021)
No. of Employees	:	75000.

#### **NEED OF THE STUDY:**

- This study is to compare the NPA's in SBI and UBI and it helps to know how to operate the variables to manage NPA's.

#### **SCOPE OF THE STUDY:**

- The study is confined to the comparison of NPA's SBI and UBI, Anantapur for five years i.e., from 2017-2018 to 2021-2022.

#### **OBJECTIVES OF THE STUDY:**

- To analyze the Gross NPA and Net NPA ratios in SBI and UBI.
- To study the provision coverage ratios between SBI and UBI.
- To analyze the impact of NPA on profitability of SBI and UBI.

#### **TESTING OF HYPOTHESIS:**

Ho = There is no significant difference between Net Profit and Net NPA of SBI

H1 = There is a significant difference between Net Profit and Net NPA of SBI

Ho = There is no significant difference between Net Profit and Net NPA of UBI

H1 = There is a significant difference between Net Profit and Net NPA of UBI

#### **RESEARCH METHODOLOGY:**

##### **Source of data:**

The study is based on the secondary data.

##### **Secondary data:**

The data is collected from the annual reports of SBI and UBI official websites.

Websites: [www.moneycontrol.com](http://www.moneycontrol.com)

[www.sbi.com](http://www.sbi.com) [www.ubi.com](http://www.ubi.com)

#### **TOOLS AND TECHNIQUES:**

- Correlation
- Graphs
- Tables
- Charts
- SPSS Software

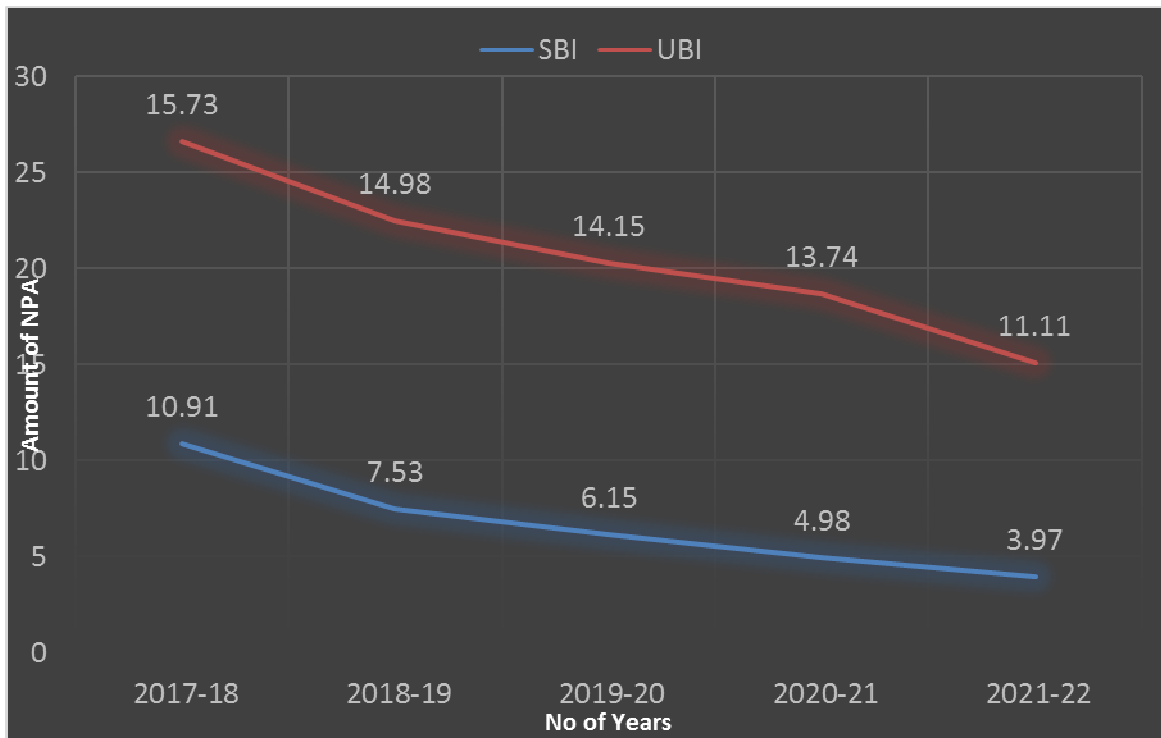
#### **LIMITATIONS OF THE STUDY:**

- The study is limited to SBI and UBI.
- The study covers only the period of past five years from 2017-2018 to 2021-2022.

**DATA ANALYSIS AND INTERPRETATION:  
GROSS NPA's RATIO (%):**

$$\text{Gross NPA Ratio} = \frac{\text{Gross NPA's}}{\text{Gross Advances}} \times 100$$

Gross NPA's to Gross Advances Ratio (%)		
Year	State Bank of India	Union Bank of India
2017-18	10.91	15.73
2018-19	7.53	14.98
2019-20	6.15	14.15
2020-21	4.98	13.74
2021-22	3.97	11.11



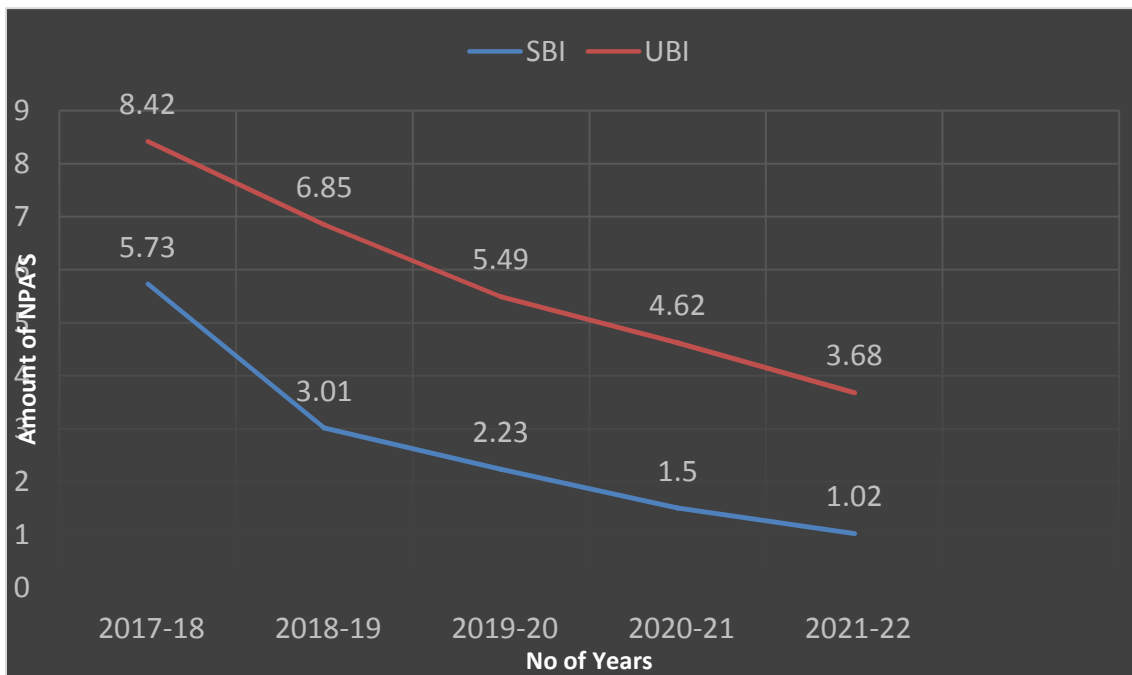
**INTERPRETATION:**

- The above analysis indicates the Gross NPA of SBI and UBI from 2017-18 till 2021-22.
- From the above chart it can clearly understood that Gross NPA ratio of both banks decreased since 2017-18 to 2021-22 which is 10.91% to 3.97% in SBI Bank and 15.73% to 11.11% in UBI.
- Decrease in GNPA Ratio of SBI is highly satisfactory as it is reduced by more than 6.94% since 2017-18 to 2021-2022(i.e., 10.91 to 3.97). Whereas in UBI it is decreased by only 4.62% since 2017-18. (i.e., 15.73 to 11.11). As Gross NPA ratio is higher in UBI.

**NET NPA RATIO:**

$$\text{Net NPA Ratio} = \frac{\text{Net NPA's}}{\text{Net Advances}} \times 100$$

Net NPA's to Net Advances Ratio (%)		
Year	State Bank of India	Union Bank of India
2017-18	5.73	8.42
2018-19	3.01	6.85
2019-20	2.23	5.49
2020-21	1.50	4.62
2021-22	1.02	3.68



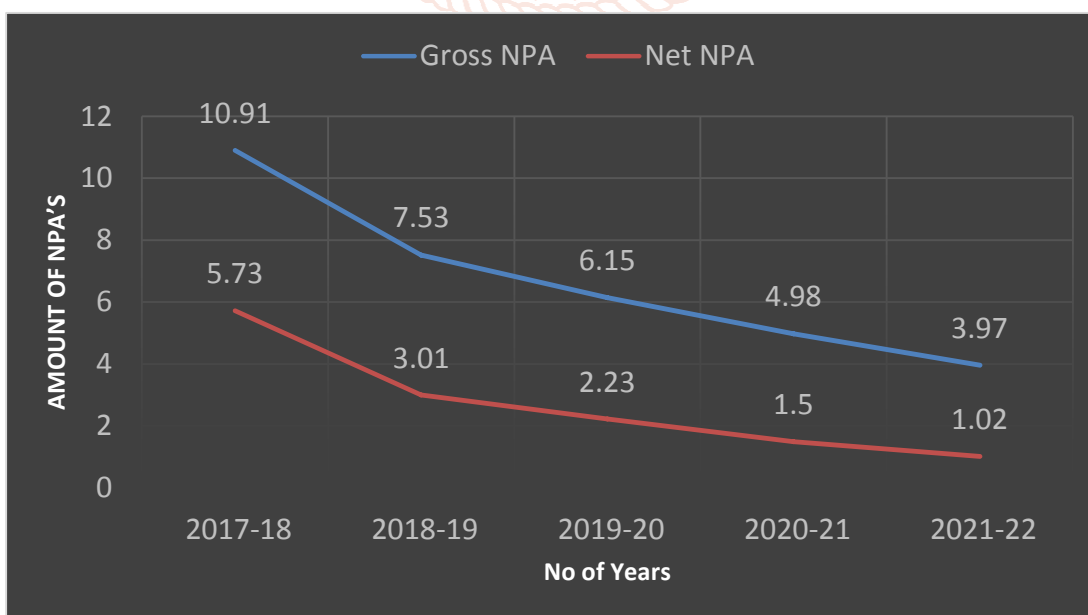
**INTERPRETATION:**

From the above chart it can clearly understood that Net NPA ratio of both banks decreased since 2017-18 to 2021-22 which is 5.73% to 1.02% in SBI Bank and 8.42% to 3.68% in UBI.

Whereas the analysis shows higher the ratio, more dangerous position for Banks. Here both the banks maintain lower Net NPA ratio so it a good sign for both banks. But SBI is performing well as Net NPA ratio of UBI is more than twice the Net NPA Ratio of SBI.

**COMPARISION OF GROSS NPA’S RATIO AND NET NPA’S RATIO OF SBI:**

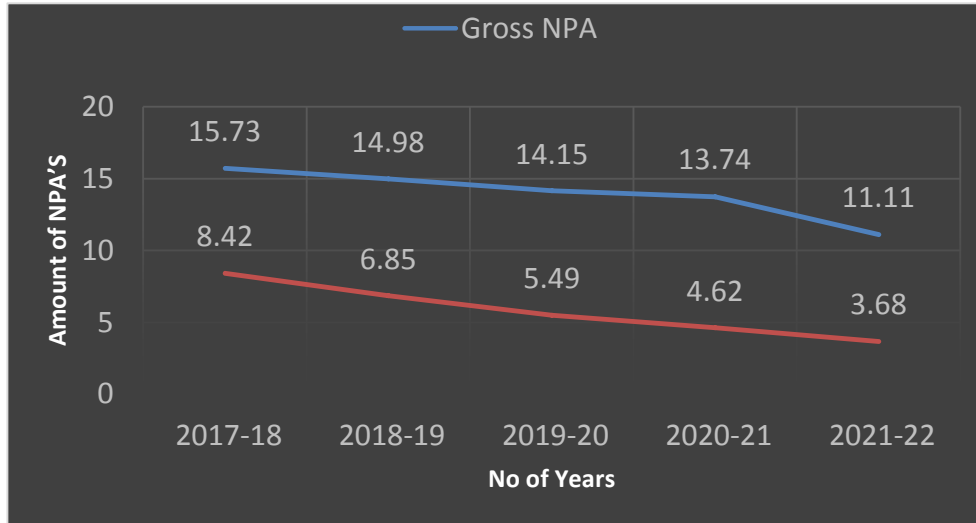
State Bank of India		
Year	Gross NPA Ratio (%)	Net NPA Ratio (%)
2017-18	10.91	5.73
2018-19	7.53	3.01
2019-20	6.15	2.23
2020-21	4.98	1.50
2021-22	3.97	1.02



**INTERPRETATION:** The above analysis indicates the relationship between Gross NPA Ratio and Net NPA Ratio of SBI. These both are showing downward trend from 2017-18 to 2021-22. SBI is having satisfactory NPA Level.

**COMPARISION OF GROSS NPA AND NET NPA OF UBI:**

Union Bank of India		
Year	Gross NPA Ratio (%)	Net NPA Ratio (%)
2017-18	16.00	8.00
2018-19	15.00	6.85
2019-20	14.00	5.49
2020-21	14.00	4.62
2021-22	11.11	3.68



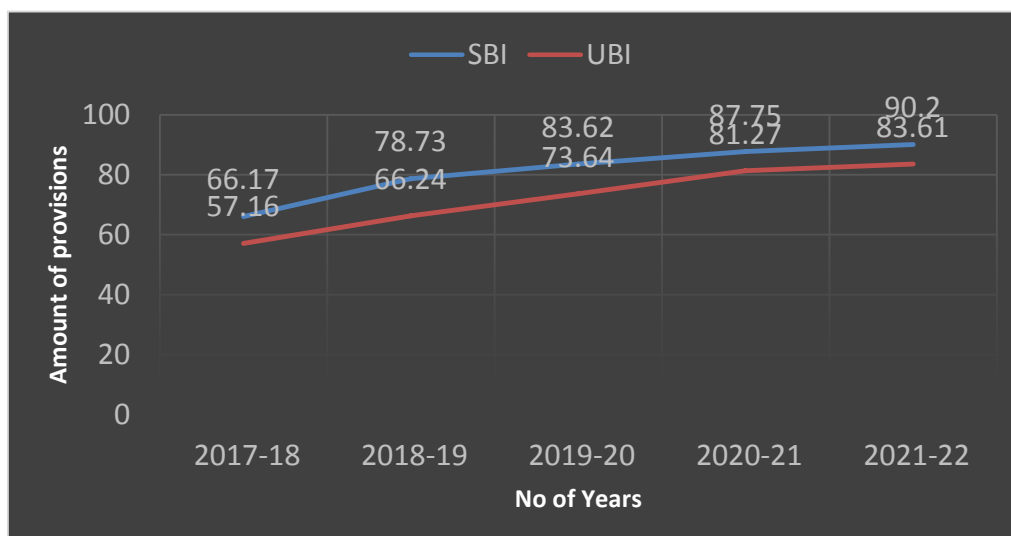
**INTERPRETATION:**

The above analysis indicates the relationship between Gross NPA Ratio and Net NPA Ratio of UBI. These both are showing downward trend from 2017-18 to 2021-22. Gross NPA is decreased from 15.73% to 11.11% and Net NPA is decreased from 8.42% to 3.68% only.

Even though Gross NPA is so high UBI managed to have Lower Net NPA ratio, which means more provisions are made by UBI so as to reduce the risk of Non-Recovery.

**PROVISION'S COVERAGE RATIO:**

Provisions to Gross NPA's Ratio (%)		
Year	State Bank of India	Union Bank of India
2017-18	66.17	57.16
2018-19	78.73	66.24
2019-20	83.62	73.64
2020-21	87.75	81.27
2021-22	90.20	83.61



Above chart shows the provisions made by SBI and UBI from 2017-18 to 2021-22. A high PCR ratio (ideally above 70%) means most asset quality issues have been taken care of and the bank is not vulnerable. Both the Banks are maintaining higher PCR Ratio and it is increasing over the year which is good sign for both banks. It is observed that even though SBI is having less NPA's compared to UBI still SBI is making higher provisions to be on safer side.

### IMPACT OF NPA'S ON PROFITABILITY:

#### CORRELATION BETWEEN NET PROFIT AND NET NPA OF STATE BANK OF INDIA:

Net Profit of SBI		Net NPA of SBI	
Net Profit of SBI	Pearson Correlation	1	-.932*
	Sig. (2-tailed)		.021
	N	5	5
Net NPA of SBI	Pearson Correlation	-.932*	1
	Sig. (2-tailed)	.021	
	N	5	5

#### CORRELATION BETWEEN NET PROFIT AND NET NPA OF UNION BANK OF INDIA:

Net Profit of SBI		Net NPA of SBI	
Net Profit of SBI	Pearson Correlation	1	-.932*
	Sig. (2-tailed)		.021
	N	5	5
Net NPA of SBI	Pearson Correlation	-.932*	1
	Sig. (2-tailed)	.021	
	N	5	5

### INTERPRETITION:

- From the above analysis, correlation between Net profit and Net NPA of State Bank of India is equal to -0.932. It indicates that the NPA decreases and profits will increase. So there is a negative relation between Profits and NPAs.
- Union Bank of India where correlation between Net Profit and Net NPA is found to be 0.529. It means that there is a positive relation between Profits and NPAs. It simply means that as profits increase, NPA also increase.

### FINDINGS:

- Gross NPA ratio of both banks decreased from 2017-2018 till 2021-22 which is 10.91% to 3.97% in SBI and 15.73% to 11.11% in UBI.
- Also Net NPA ratio starts decreasing in both banks since 2017-18 to 2021-22 which is 5.73% to 1.02% in SBI and 8.42% to 3.68% in UBI.
- Net NPA ratio has been reduced for both banks but SBI is performing well as Net NPA ratio of UBI is more than twice the NPA ratio of SBI.
- As provisions regarding NPA of SBI and UBI banks is raising from last 5 years. It indicates that high PCR ratio (ideally above 70%) means most asset quality issues have been taken care of and the bank is not vulnerable.
- Both Gross NPA and Net NPA of SBI and UBI shows downward trend from last 5 years.
- Correlation between Net profit and Net NPA of State Bank of India is equal to -0.932. It indicates that the NPA decreases and profits will increase. So there is a negative relation between Profits and NPAs.
- Union Bank of India where correlation between Net Profit and Net NPA is found to be 0.529. It means that there is a positive relation between Profits and NPAs. It simply means that as profits increase, NPA also increase.

### SUGGESTIONS:

- There must be regular follow-up with the borrowers and it is the duty of banker to ensure that there is no diversion of funds. This process can be taken up at regular intervals.
- UBI need to be more focused on managing the net profits and NPAs.

- SBI need to control its provision towards NPA.
- SBI bank and UBI bank could strengthen its stages of risk management in a lending process to avoid NPAs.

#### CONCLUSION:

- From this study, it is identified that the issue regarding non-performing assets have been a major challenge for banking sector in India. It is just not only problem for the banks but for the economy too. The above study shows that extent of NPA is comparatively low in State bank of India than Union Bank of India.
- From the above analysis of the facts and figures it can be concluded that financial performance of the both SBI and UBI banks regarding NPAs, it would be considered to be satisfactory with the little variations in quantum and in the percentage.

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