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A COMPARATIVE ANALYSIS OF NPA BETWEEN BANK OF INDIA AND ICICI BANK

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ABSTRACT

Non-Performing Assets (NPAs) have emerged as one of the most significant challenges affecting the stability and profitability of the Indian banking sector. This study presents a comparative analysis of the NPA performance of Bank of India, representing the public sector, and ICICI Bank, representing the private sector, over the period from 2010–11 to 2023–24. The research is based on secondary data collected from annual reports and other authentic published sources. Descriptive and analytical research methods have been adopted, while an independent sample t-test using SPSS has been employed to examine the statistical differences between the Gross Non-Performing Asset Ratio (GNPAR) and Net Non-Performing Asset Ratio (NNPAR) of the selected banks. The findings indicate that Bank of India consistently recorded higher gross and net NPA ratios than ICICI Bank during the study period, reflecting comparatively weaker asset quality and credit risk management. The statistical analysis also reveals a significant difference between the NPA ratios of the two banks. The study concludes that effective credit appraisal, continuous monitoring of loan portfolios, and timely recovery mechanisms are essential for reducing NPAs and improving the financial performance and sustainability of banks.

KEYWORDS: Non-Performing Assets (NPA), Gross NPA Ratio, Net NPA Ratio, Bank of India, ICICI Bank, Public Sector Banks, Private Sector Banks, Banking Performance, Credit Risk Management, SPSS Analysis.

A) INTRODUCTION

The word bank is derived from Italian word banca or from French word banque both meaning a bench or a money exchange table. A bank is a financial institution which does the work of lending and depositing money from the individuals and various other organization, any amount given to the individual in form of loan is an asset of the bank as the money is to be paid back by the individual with an additional interest charges, and the money which is deposited in the bank is liability of the bank as the money is to be paid back to parties in one or the other form. The lent out asset of bank if returned on timely basis with interest and principal amount than such asset is called as performing asset and the asset which is not returned by the individuals and business organization on timely basis then such asset is called as NPA (non-performing assets).

Commercial bank is the major player in the development of economy as they provide imperative services to their customers and business, when we check the commercial bank in accordance to their ownership they can be categorized as nationalized banks, regional rural banks, and private sector banks. A major threat to a banking sector in today's scenario is increasing of nonperforming asset of the bank which not only decreases the profit of banks but also deteriorates the development of growing economy. The major cause of growing NPA in Indian economy is due to lose lending standards, target oriented approach, collateral free loans etc.

A major chunk of loans which are today classified as NPA are originated in mid 2000s when the Indian economy was on boom and all the business showed a positive image in the economy. Large industries, corporations were granted heavy loans by seeing their recent performance and growth. The loans in mid 2000s were so easily available without much formalities that corporation borrowed only from external borrowing rather than internal equity, this resulted in increase of leverage in corporations, but in 2008 global financial crisis hit the world and repayment capability of corporations drastically decreased and as a result NPA of bank increased with a growing rate. So in this particular paper the aim is to study the drift of NPA in leading public and private sector banks in India, here the researcher chooses ICICI bank as a private sector bank and Bank of India as a public sector bank to analyze the gross NPA ratio and net NPA ratio.

B) REVIEW OF LITREATURE:

1. **Rajan, R.G., & Dhal, S.C. (2003).** "Non-Performing Loans and the Macro economy." *Journal of Financial Stability.* This paper discusses the macroeconomic impact of NPAs and the causes behind their rise.
2. **Das, A., & Ghosh, S. (2007).** "Determinants of Non-Performing Loans: Evidence from Indian Banking Sector." *International Journal of Financial Studies.* This study examines the factors contributing to NPAs in the Indian context.
3. **Kumar, S., & Rajesh, M. (2010).** "Non-Performing Assets in Banks: A Comparative Study of Public and Private Sector Banks." *Finance India.* The paper compares NPAs
4. **Nagarajan, N., & Choi, J.J. (2011).** "The Impact of Economic Factors on Non-Performing Loans in Emerging Markets." *Journal of Banking and Finance.* This study explores how economic variables influence NPAs in emerging economies, including India.
5. **Kothari, S. P., & Verma, S. (2012).** "Banking Sector Performance and NPAs: An Empirical Analysis." *Economic and Political Weekly.* The paper investigates the relationship between banking sector performance and NPAs.

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6. **Singh, A. K., & Pattanayak, S. (2013).** "Role of Public Sector Banks in Managing Non-Performing Assets." *Global Business Review.* This research evaluates how public sector banks in India handle NPAs compared to private sector banks.
7. **Mohan, R. (2014).** "Managing Non-Performing Assets: A Review of Indian Banking Sector." *Indian Journal of Economics and Business.* This paper provides an overview of NPAs management strategies in Indian banks.
8. **Basu, A., & Muthu, K. (2015).** "Determinants of Non-Performing Loans in Indian Banks: A Panel Data Approach." *Journal of Financial Regulation and Compliance.* The study uses panel data to identify key determinants of NPAs in Indian banks.
9. **Sinha, S., & Sharma, R. (2016).** "Impact of NPAs on Bank Profitability: Evidence from Indian Banks." *International Journal of Finance & Economics.* This research examines how NPAs affect the profitability of banks.
10. **Gupta, P., & Choudhury, D. (2017).** "Analyzing the Trends of NPAs in Indian Banks." *Journal of Financial Studies.* The paper analyzes the trends and patterns of NPAs over time in Indian banks.
11. **Sinha, R., & Roy, S. (2018).** "An Evaluation of NPAs in Indian Public vs. Private Sector Banks." *Asian Journal of Finance & Accounting.* This study compares NPAs between public and private sector banks in India.
12. **Ghosh, S., & Bhattacharya, K. (2019).** "Credit Risk Management and NPAs: Evidence from Indian Banking Sector." *Risk Management.* The paper explores credit risk management practices and their impact on NPAs.
13. **Kumar, V., & Patel, S. (2020).** "The Evolution of NPAs in Indian Banks: A Historical Perspective." *Journal of Banking & Finance Research.* This study provides a historical analysis of NPAs in Indian banks and their evolution over time.
14. **Das, S., & Jain, S. (2021).** "Policy Measures and Their Effectiveness in Controlling NPAs: A Case Study of Indian Banks." *Financial Policy Review.* The research evaluates the effectiveness of various policy measures implemented to control NPAs in Indian banks.
15. **Patel, M., & Singh, D. (2022).** "The Role of Technology in Managing NPAs in Indian Banks." *Technology and Banking Journal.* This paper examines how technological advancements are being used to manage and reduce NPAs.
16. **Verma, R., & Sharma, P. (2023).** "Economic Reforms and NPAs: The Indian Experience." *Journal of Economic Policy.* The study investigates how economic reforms have impacted the NPAs in Indian banks.
17. **Mehta, A., & Desai, A. (2023).** "Comparative Analysis of NPAs in Indian Banks: Pre and Post-GST Era." *Journal of Financial Management.* This research compares NPAs in Indian banks before and after the implementation of the Goods and Services Tax (GST).

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18. **Kumar, P., & Gupta, S. (2023).** "Impact of Global Financial Crises on NPAs in Indian Banks." *Global Finance Journal.* The paper assesses the impact of global financial crises on NPAs in Indian banks.
19. **Reddy, B. S., & Rao, K. (2024).** "Strategies for Reducing NPAs in Indian Banks: A Strategic Management Approach." *Strategic Management Journal.* This study explores various strategies adopted by banks to reduce NPAs and improve financial health.
20. **Patel, R., & Kumar, S. (2024).** "The Future of Banking in India: Managing NPAs in the Digital Age." *Banking and Finance Review.* The paper looks into future trends in managing NPAs with the increasing digitalization of banking services.

C) OBJECTIVES OF THE STUDY:

1) To examine the float of net non-performing asset to net advance ratio and gross non- performing asset to gross advance ratio of bank of India and ICICI bank.

2) To acknowledge that there is any quantifiable important difference in net non-performing asset to the net advance ratio and gross non-performing asset to gross advance ratio of Bank of India and ICICI.

D) HYPOTHESIS OF STUDY:

1) H0- There is no significant difference between the gross non-performing asset to gross advance ratio of Bank of India and ICICI Bank.

2) H1- There is significant difference between the gross non-performing assets to gross advance ratio of Bank of India to ICICI Bank.

3) H0- There is no significant difference between the net non-performing assets to net advance ratio of Bank of India to ICICI Bank. :

4) H1- There is significant difference between the net non-performing assets to net advance ratio of Bank of India to ICICI Bank.

E) RESEARCH METHODOLOGY:

This particular research is based on the secondary data analysis which is collected from various reports, annual data, websites, for this particular research, the researcher uses the technique of descriptive and analytical research design, year chosen for the study is from 2010-11 to 2023-24 and the bank selected are Bank of India and ICICI Bank. For analyzing the data, the researcher uses the independent sample t-test using SPSS version 20.

F) ANALYSIS AND INTERPRETATION:

Inquiry of percentage (%) of GNPAR and NNPAR collected from annual reports of Bank of India and ICICI Bank.

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TABLE-1COMPARITIVE ANALYSIS OF NPA BETWEEN BOI AND ICICI BANK:

	BANK OF INDIA		**ICICI BANK**	
YEAR	**GNPAR (%)**	**NNPAR (%)**	**GNPAR (%)**	**NNPAR (%)**
2023-24	13.50	4.10	5.10	1.55
2022-23	12.80	3.95	4.90	1.50
2021-22	13.00	4.00	5.20	1.60
2020-21	14.00	4.50	5.30	1.53
2019-20	14.78	3.88	5.53	1.41
2018-19	15.84	5.61	6.70	2.06
2017-18	16.58	8.26	8.84	4.77
2016-17	13.22	6.90	7.89	4.89
2015-16	13.07	7.79	5.21	2.67
2014-15	5.39	3.36	3.78	1.61
2013-14	3.15	2.00	3.03	0.97
2012-13	2.99	2.06	3.22	0.77
2011-12	2.34	1.47	3.62	0.73
2010-11	2.23	0.91	4.47	1.11

Note-GNPAR=Gross NPA to gross advance ratio, NNPAR= Net NPA to net advance ratio

Above given table shows the net and gross NPA in percentage (%) of both Bank of India and ICICI Bank. The GNPAR of Bank of India in year 2010-11 was 2.23% as compared to the year 2023-24 which was 13.50% hence GNPAR of bank of India has showed sharp rise, on the other hand GNPAR of ICICI in 2010-11 was 4.47% as compared to 2023-24 was 5.10%

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FIGURE 1- COMPARITIVE CHART OF GNPAR OF BANK OF INDIA TO ICICI BANK

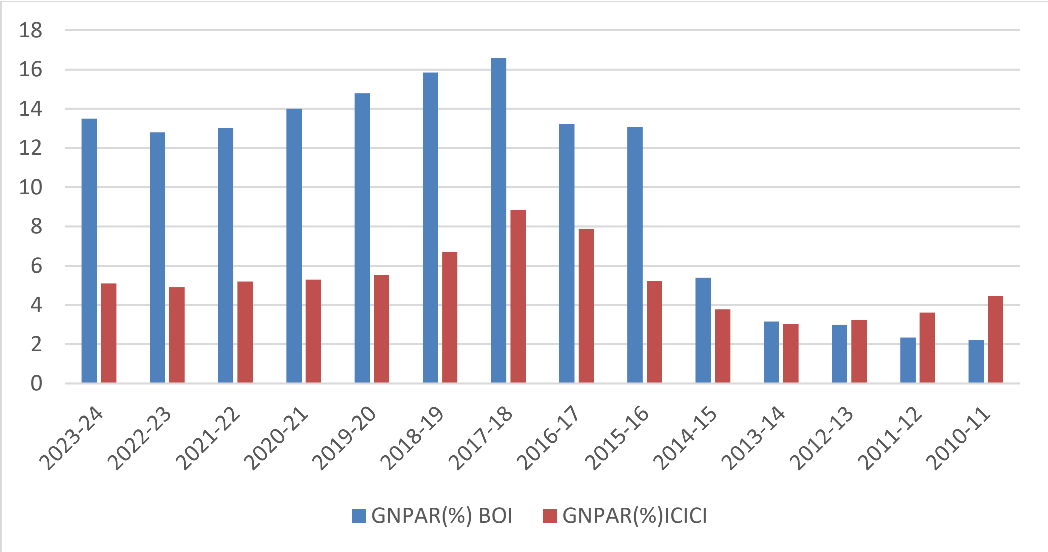

FIGURE1- It depicts the comparison of gross NPA ratio between BOI and ICICI bank. The gross NPA ratio of BOI appears extraordinarily high overall expanding growth amid the study as compared to ICICI bank

FIGURE 2- COMPARITIVE CHART OF NNPAR OF BANK OF INDIA TO ICICI BANK

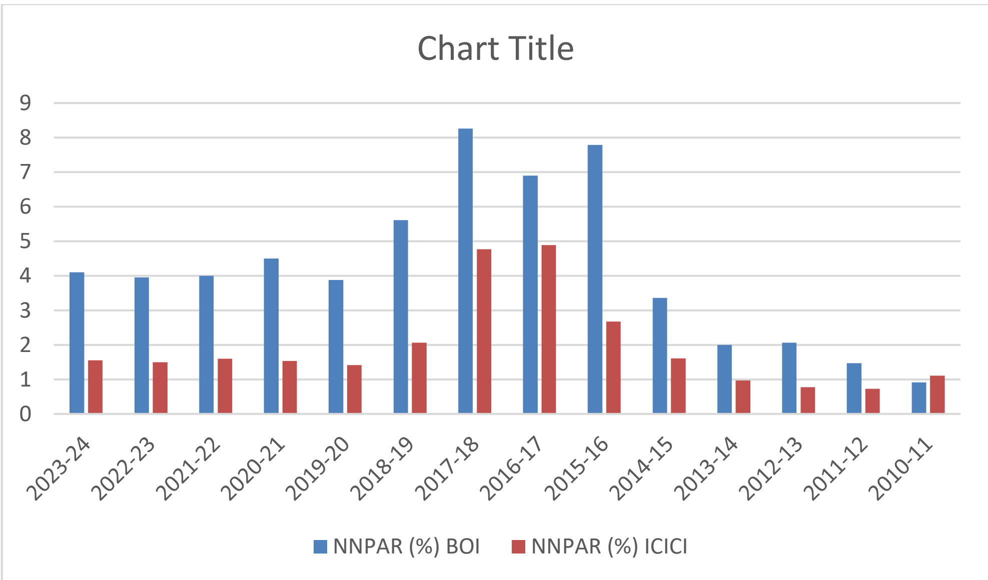

Figure2- It depicts the variation of net non-performing asset to net advance ratio of BOI and ICICI,

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from this figure we can conclude that net NPA to net advance ratio of Bank of India is much higher than the NNPAR of ICICI bank, hence it is advisable for Bank of India to take necessary measures for reducing its NNPAR

Case Processing Summary

	Cases					
	Included		Excluded		Total	
	N	Percent	N	Percent	N	Percent
BANK OF INDIA GNPAR	14	87.5%	2	12.5%	16	100.0%

Report

BANK OF INDIA GNPAR

Mean	N	Std. Deviation
10.2064	14	5.55324

Case Processing Summary

	Cases					
	Included		Excluded		Total	
	N	Percent	N	Percent	N	Percent
ICICI BANK GNPAR (%)	14	87.5%	2	12.5%	16	100.0%

Report

ICICI BANK GNPAR (%)

Mean	N	Std. Deviation
5.1993	14	1.67859

Case Processing Summary

	Cases					
	Included		Excluded		Total	
	N	Percent	N	Percent	N	Percent
BANK OF INDIA NNPAR (%)	14	87.5%	2	12.5%	16	100.0%

Report

BANK OF INDIA NNPAR (%)

Mean	N	Std. Deviation
4.1993	14	2.27625

Case Processing Summary

	Cases					
	Included		Excluded		Total	
	N	Percent	N	Percent	N	Percent
ICICI NNPAR (%)	14	87.5%	2	12.5%	16	100.0%

Report

ICICI NNPAR (%)

Mean	N	Std. Deviation
1.9407	14	1.32261

TABLE-1: Displaying the group statistics of Bank of India and ICICI Bank (independent sample t-test using SPSS version 26)

GROUPS	BANKS	N	MEAN	STANDARD DEVIATION	STANDARD ERROR OF MEAN= S.D/ROOT N (NO. OF OBSERVATIONS
GNPAR	BOI	14	10.2064	5.55324	1.4842
	ICICI	14	5.1993	1.67859	0.4486
NNPAR	BOI	14	4.1993	2.27625	0.6083
	ICICI	14	1.9407	1.32261	0.3535

TABLE-1- It shows the GNPAR and NNPAR of both BOI and ICICI bank, in this table we can observe that mean value of BOI is higher in both GNPAR and NNPAR respectively. The mean value of BOI is 10.2064 and 4.1993 in both GNPAR and NNPAR respectively which is comparatively much higher than mean value of ICICI bank. The standard deviation of BOI is 5.55324 and 2.27625 respectively and of ICICI bank is 1.67859 and 1.32261 respectively.

TABLE-2: Display the result of independent sample t-test

	Leven's Test For Equality Of Variances	t-test for Equality of Means						
	F	Sig.	T	df	Sig.2 - tailed	Mean Difference	Std. Error Difference	95%conf. Interval of the Difference Lower Upper
GNPAR(Ho1) Equal Variance not assumed	57.206	.000	1.810	10.881	.098	3.73000	2.06042	-.81103 8.27103
NNPAR(Ho2) Equal Variance assumed	5.699	.028	2.137	18	.047	2.12500	.99447	.03570 4.21430

IMPORTANT NOTE- Created using SPSS version 26.

Ho1- There is no significant difference between gross non-performing asset to gross advance ratio of BOI and ICICI bank

Table 2- It reveals the result of the independent sample t-test for the gross non-performing asset to gross advance ratio between BOI and ICICI. The significance value of Levene's test is 0.000which is less than 0.05 implies that the null hypothesis of equality variance is rejected. The t-value =1.810 have significant value of .098(2 tailed) which is less than0.05 95% confidence level. The null hypothesis showing that there is no significant difference between gross NPA to gross advance ratio of BOI and ICICI bank has been rejected. Hence the alternative hypothesis gets accepted.

Ho2- There is significant difference between net non-performing asset to net advance ratio of BOI and ICICI bank.

Table no.2- It shows the result of independent sample t-test for the net non-performing asset to net advance ratio between BOI and ICICI bank. The significance value of Levene's test is .028 which is

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less than 0.05 implies that the null hypothesis of equality variance is rejected. The t-value =2.137 have significant value of .047(2 tailed) which is less than0.05 95% confidence level. The null hypothesis showing that there is no significant difference between net NPA to net advance ratio of BOI and ICICI bank has been rejected. Hence the alternative hypothesis gets accepted.

G) FINDINGS:

1) The mean value of gross NPA ratio and net NPA ratio is much higher in public sector bank namely Bank of India.
2) Proportion of NNPA is exceptionally high in bank of India when compared with ICICI bank which shows the real burden of BOI increments at a high-rate year by year.
3) Performance of private sector banks are much effective than public sector bank.
4) Resource administration of public sector bank (BOI) is lower than private bank (ICICI) as GNPA proportion of BOI is much higher than GNPA proportion of ICICI bank.

H) SUGGESTION:

A) The bank should take utmost care the borrower who is borrowing money is capable of returning the money on time and the amount of money landed to a borrower must be according to credit worthiness of the borrower.
B) The most cause of NPA is target oriented approach which decreases the qualitative viewpoint of lending.
C) To recover and to prevent new NPA of banks ample number of measures are being taken by RBI and the central government like Debt recovery Tribunal, SARFAESI ACT, Corporate Debt Restructuring, Asset Reconstruction Company, Lok Adalats.
D) Banks must have look on their balance sheet and profit loss account so to know the genuine health of the banks.

I) CONCLUSIONS:

NPA are serious concerns for the bank as it reduces the financial soundness and capability of the bank with the rising NPA the reputation of bank also diminishes and the investor are threatened to put their hard earning in the bank. The bank should wisely take the decision that to whom the money is to be lended it should check the credit worthiness of the borrower to decrease the NPA. Through our study we can see that NPA of Bank of India is exceptionally higher than the NPA of ICICI bank. There is a magnificent difference between the GNPAR and NNPAR of BOI and ICICI with respect to NPA. The bank needs to make proper policies in order to reduce their NPA'S. Private sector bank ICICI performs well when compared to public sector bank BOI as the gross NPA and net NPA proportion is lower in private sector bank that is ICICI.

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