International Journal of Finance and Commerce
www.commercejournals.com
Online ISSN: 2664-715X, Print ISSN: 2664-7141
Received: 18-04-2021, Accepted: 06-05-2021, Published: 28-05-2021
Volume 3, Issue 1, 2021, Page No. 16-23

Non-performing assets of scheduled commercial banks: A sectoral credit and bank group-wise analysis

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Abstract
Indian banking industry acts as a catalyst and pillar of the economic system of the country with its size and mass coverage. The sector consists of 12 public sector banks, 22 private sector banks, 46 foreign banks, 56 regional rural banks, 1485 urban cooperative banks and 96,000 rural co-operative banks in addition to co-operative credit institutions. It caters to the financial needs of all classes of people in India and is a well regulated one. The sector witnessed mergers and acquisitions, disinvestment, greater flow of capital from the government to public sector banks to strengthen their capital base and satisfying the Basel III norms. It turned to innovative banking, digital banking and the formation of small finance banks and payment banks. In spite of the changes in the banking sector and its robust growth, the major challenge is the mounting of non-performing assets. The banks are directed to lend a portion of their credit (mandatory limit) to the priority sector. The increase in non-performing assets normally impacted the profitability and liquidity position of banks. At this juncture an effort is made in this paper to know the non-performing assets attributed from priority sector lending and non-priority sector lending. From the non-performing assets percentages of public sector banks and private sector banks, it is found that both the groups of banks are facing the problem of non-performing assets from priority sector lending and non-priority sector lending and the percentage is very high in public sector banks. There is significant difference in the percentage of non-performing assets from both types of loans made by public sector banks and private banks. Regarding overall non-performing assets of the two bank groups, the difference is found significant and the difference is found insignificant with respect to growth rate in non-performing assets.

Keywords: non-performing assets, priority sector advances, non-priority sector advances, private banks, public sector banks

Introduction

Banking sector is one of the major players in the financial sector which act a catalyst to the economic growth of any country. Financially sound banking system with competitive strength and efficiency at all levels will be a pre-requisite for ensuring prosperity and welfare of the people. Global financial sector especially the banking sector is facing a number of issues in Covid-19 pandemic situation in terms of financial health, asset quality, liquidity and profitability. Indian banking industry comprises of public sector banks, old private sector banks, new generation private sector banks, small finance banks, payment banks, regional rural banks and co-operative banks. The scheduled commercial banks have dominance in terms of banking business and directly involved in meeting the requirements of industry, services as well as other sectors namely, the agriculturists, small businessmen and other small scale sectors. Consequent to the banking sector reforms, banks are concentrating in strengthening their asset quality, capital position, efficiency and profitability. Basel norms also forced the banks to maintain capital to risk weighted assets ratio at par or above the global standards. The cutthroat competition between banks in increasing their business prompted the banks to increase their size and so many public sector banks were merged with other public sector banks which reduced the number of public sector banks to 12. The commercial banks in India showed better performance in the fiscal year 2019-20 in improving asset quality, return and profitability after a gap of two years. The total asset size of all scheduled commercial banks in India during the period was 180 trillion INR. The share of public sector banks was107 trillion INR, private banks- 58 trillion INR, foreign banks- 12.6 trillion INR, small finance banks- 1.32 trillion INR and payment banks Rs.1645 crores. The return on assets (ROA) was PSB- -0.23, PB-0.51, FB-1.55, SFBs -1.70, and Payment Banks- -25.39 and all SCBs- 0.15.

As an effort to provide credit to all the sectors, government directed banks to lend money both in the priority sector and in the non-priority sector. Priority sector is the most neglected area where there is more risk in lending money due to inadequate security and chance of non-repayment of money. Government insisted all banks to lend at least forty percent (small finance banks- seventy five percent) of their total advances to the priority sector. In the recent years, banks mainly the public sector banks are running at a loss. But before charging provisions, all banks were having sufficient profits. Major portion of provision is meant for non-performing assets (NPA).

The existence of NPA has become a danger to the banking sector. In general, borrowers repay the dues by their respective due dates to the bank. Some buyers are unable to repay their loans in time due to some unexpected situations. Some people willfully make default in repayment of loans. The fall in price of commodities, abnormal situations such as natural calamities, pandemic situations, crop failure, riots and agitations also added to the reason for non-repayment of money. Banks should follow the prudential norms in recognizing their income and classification of the assets in to different group's *viz.*, standard assets, sub-standard assets, doubtful assets and loss assets. Therefore, strict requirements have been laid by RBI regarding recognition of

NPA. As per Reserve Bank of India (RBI) an NPA is a loan or advance where:

1. Term Loan – interest and / or installment of principal remains overdue for more than 90 days.
2. Overdraft / Cash credit - account is out of order i.e.
   a. Outstanding balance remains continuously in excess of the sanctioned limit / drawing power; or
   b. Outstanding balance is within the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of balance sheet or the credits are not enough to cover the interest debited during the same period.
3. Bills purchased and discounted – bill remains overdue for more than 90 days.
4. Short duration crops (crop season is up to a year) – installment of principal or the interest thereon remains overdue for two crop seasons.
5. Long duration crops - installment of principal or the interest thereon remains overdue for one crop season.

Priority Sector Lending - Priority sector lending (PSL) is intended to provide institutional credit to those sectors and segments for which it is difficult to get credit. According to priority sector standards, scheduled commercial banks have to give 40% of their loans (measured regarding Adjusted Net Bank Credit or ANBC) to the identified priority sectors by the RBI directions. The regulations are revised periodically by setting limits for subsectors and other qualifications for the beneficiary groups. If these targets are not achieved, banks have to finance the construction programs implemented by the government for the concerned sectors.

Table 1

Priority sector	Non-priority sector
Agriculture, Export credit, Education, housing, Micro, small and medium enterprises, Social infrastructure Renewable energy and others Target 40% for all scheduled commercial banks except Small finance banks and for small finance banks, 75%.	It is a glamorous sector which attracts finance every time and include industry, services, retail loans etc.

Review of Literature

Harani. B, Subramanyam Mutyala (2019) made a comparative analysis of non-performing assets of public and private sector banks in India for the period from 2008-09 to 2017-18. The major finding of the study was the private sector NPAs is meager when compared with public sector banks NPAs. The public sector banks NPAs is high due to willful defaulters, political influence and announcing weave off of loans.

Kandela Ramesh analyzed the Priority and Non-Priority Sector NPAs of Indian Public Sectors Banks and found that the contribution of priority sector NPAs is more than fifty percent in total NPAs till 2011. After that it gradually declined. Non-priority sector NPAs hovered well above fifty percent after 2011. Non-priority Sector NPAs steadily increased during the period. By the insights of the study, both priority sector and non-priority sector NPAs were showing significant effects on total NPAs of public sector banks. However Non-priority sector NPAs contribution was found to be more than priority sector NPAs of total NPAs. Hence it can be concluded that gross advances also have a significant impact on total NPAs of Indian public sector banks.

Gupta (2018) revealed that NPAs was increasing year by year in selected banks for the period of the study from 2015 to 2019. The selected banks for the study were public sector banks and it is concluded that there is gradually increment in NPAs of public sector banks in India.

Dolly Gaur and Dipti Ranjan Mohapatra (2019) in their study titled Non-Performing Assets in India: Priority vs. Non- Priority Sector Lending made a comparison between NPAs in priority and non-priority sector advances of public and private sector banks in India for the period from 2013 to 2017. They found that the private sector banks have shown comparatively higher growth in gross advances vis-à-vis public sector banks whereas public sector banks have shown higher growth in overall gross NPAs as compared to private sector banks. For priority sector in particular, private sector banks have shown a higher growth in both gross advances and gross NPAs, as compared to public sector banks whereas in case of non-priority sector, private banks have shown a greater growth for gross advances and public sector banks have shown a higher growth for gross the difference in NPAs of priority sector with respect to private and public sector banks is highly significant.

Sunil Kumar, Ravindra Singh, Pratibha B Thombare and Pandurang (2020) A Kale in their study titled Priority sector lending and non-performing assets: Status, impact & issues analysed the sector-wise NPAs of public sector banks and private sector banks for the period from 2005 to 2016. They found that the sector-wise NPAs of public sector banks for twelve years from 2005 to 2016 in priority sector lending increased from FY 2005 till FY 2011, and witnessed fall in FY 2012 and it continued to fall till FY 2016. In case of Non-priority sector NPAs, it continued to fall from FY 2005 to 2009 and it was observed to be stable form FY 2009 to FY 2011 and from FY 2011 onwards it continued to increase substantially from 45.85 in FY 2011 to 76.7 in FY 2016. Both Priority Sector and Non-Priority Sector NPAs are contributing total NPAs of public sector banks.

Abid Husain G Kadiwala, Dr. Rasikbhai I Prajapati (2020) conducted a study on Sector-wise Comparative Analysis of Non-Performing Assets of Selected Private Sector and Public Sector Banks of India. They reached in to the conclusion that efficiency to cover debt of private sector banks is better than public sector banks. The study also revealed that the types of banks and sector-wise NPAs do not have combined effect over total NPAs of the banks.

Statement of the Problem

NPA acts as a major element which causes deterioration of the assets of the banking industry and caused much stress on banks. Even in situation where the bank's deposits, advances, operating profits, efficiency and total business showed tremendous growth, decreasing return on assets and return on equity is an oxymoron. The major reason for this is the mounting of non-performing assets. Indian public sector banks collectively owned approximately 6.8 trillion INR as NPA at the end of the fiscal year. The NPA and profitability position of private banks is much better than that of the public sector counter parts even though the same rules and regulations are applicable to both the groups. There is a common apprehension among the administrators and people that the major defaulters are agriculturists and the marginal income group who comes under the priority sector as they have no stable income. An attempt is made through this paper to know the contribution of NPAs form priority sector advances and non-priority sector advances. The study also aimed to find out whether there is any difference in the NPA management of public sector banks and private banks.

Objectives of the Study

The study is conducted with the following objectives.

1. To analyse the growth in NPA in priority sector advances and non-priority sector advances of scheduled commercial banks in India.
2. To make a comparison of the NPA of public sector banks and private sector banks from priority sector and non-priority sector advances.

Methodology of the Study

The study is an analytical one which is conducted by using secondary data. The data were collected from the publications of Reserve Bank of India, Indian Banks Association, and the Government of India. Data for the period from 2013 to 2020 were compiled by the researcher. For analyzing data, different statistical tools such as averages, percentages and compound annual growth rate (CAGR) were used. The hypotheses were tested by using tools such as Independent sample t-test, two-way ANOVA and Post hoc analysis. The analysis is done by using Statistical Programme for Social Sciences (SPSS).

Hypotheses

1. There is no significant difference in the NPAs of different bank groups in priority sector advances
2. There is no significant difference in the NPAs of different bank groups in non-priority sector advances
3. There is no significant difference in the NPAs of priority sector advances and non-priority sector advances
4. There is no significant difference in the overall NPAs of public sector banks and private sector banks.

Findings and Discussions

Commercial banks in India are categorized into public sector banks, private sector banks, foreign banks and small finance banks. The small finance banks were formed recently and the branches of foreign banks are concentrated mainly in urban centers. The public sector banks including SBI, and the private banks consisting of old generation and new generation private banks have nation-wide presence in urban centers as well as in rural areas and are meeting the financial needs of people in these areas. The banks especially belong to the public sector showed loss during the several years but the private sector banks are running at profits even though the regulations are common. Here an analysis is done to see the Gross NPA of PSBs and PBs from priority sector lending as well as non-priority sector lending. The data are analyzed in four parts *viz*.

1. Priority Sector Advances and NPA
2. Non-Priority Sector Advances and NPA
3. NPA Priority Sector Advances (PSA) and NPA Non-Priority Sector
4. Advances (NPSA) -Bank Group-wise comparison Overall NPA - Bank group-wise comparison

Priority Sector Advances and NPA

Priority Sector Advances and NPA of all Scheduled Commercial Banks

Table 2: Priority Sector Advances – NPA (in Crores)

Year	Gross Advances (GA)			Gross NPA (GNPA)		
	PSBs	PBs	Total (excluding FBs)	PSBs	PBs	Total (excluding FBs)
2013	1279000	315700	1594700	66900	5200	72100
2014	1519298	383055	1902353	79192	6055	85247
2015	1685954	442762	2128716	93685	7211	100896
2016	1873748	561977	2435725	128116	10139	138255
2017	1959915	652004	2611919	154276	13293	167569
2018	2072300	804600	3017100*	187511	18426	207600*
2019	2305977	1018993	3479306	212315	29721	244033
2020	2314242	1272745	3799648	236212	36219	275499

Source: RBI publications **including Gross advances and GNPA of small finance banks from 2018*

Table 3: Percentage of GNPA to Gross Advances

Year	% ge of GNPA to GA		
	PSBs	PBs	PSBs and PBs
2013	5.23	1.65	4.52
2014	5.21	1.58	4.48
2015	5.56	1.63	4.74
2016	6.84	1.80	5.68
2017	7.87	2.04	6.42
2018	9.05	2.29	7.16
2019	9.21	2.92	7.28
2020	10.21	2.85	7.59

Source: Data analysis

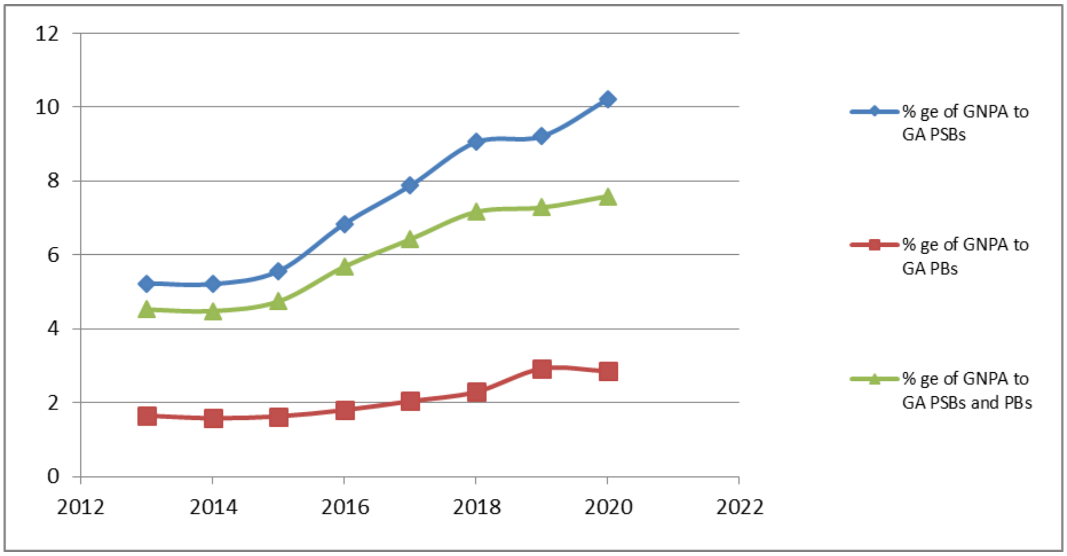

Fig 1: Percentage of NPA from priority sector advances

Table 4: Priority Sector Advances PSBs vs.PBs

Group statistics					
	Bank Group	N	Mean	Std. Deviation	Std. Error Mean
Priority sector advances NPA	PSB	8	7.3975	1.97556	.69846
	PB	8	2.0950	.54224	.19171

Source: Data analysis

Table 5: Priority Sector Advances PSBs vs.PBs

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
PSANPA	Equal variances assumed	17.252	<.001	7.321	14	<.001	5.30250	.72430	3.74904	6.85596
	Equal variances not assumed			7.321	8.049	<.001	5.30250	.72430	3.63403	6.97097

Source: Data analysis

From the tables 1 to 4 depicts the gross advances and gross NPA from priority sector advances of all scheduled commercial banks excluding foreign banks, public sector banks and private banks in India for the period from 2013 to 2020, percentage of gross NPA to gross advances from priority sector advances, and the average NPA of PSBs and PBs. The percentage of NPA from priority sector advances has been doubled in the last eight years in the case of PSBs as well as PBs. Average ratio of PSBs and PBs were 7.3975 and 2.095 respectively. It is inferred that the ratio was higher in the case of public sector banks. The difference in the NPA from priority sector advances between two bank groups have been studied by using independent samples t test. Considering the difference in the percentage of GNPA to GA from priority sector lending between PSBs and PBs, it is inferred that the difference is highly significant at 5percent level of significance as the P value is .001 which is less than 0.05 and the corresponding F value was 17.252.

Priority Sector Advances –Growth rate in NPA

Table 6: Priority Sector Advances –Growth rate in NPA

Year	% ge of GNPA to GA and growth rate of GNPA					
	PSBs		PBs		All SCBs	
	% ge of GNPA to Gross advances	Growth rate of GNPA	% ge of GNPA to Gross advances	Growth rate of GNPA	% ge of GNPA to Gross advances	Growth rate of GNPA
2013	5.23	0	1.65	0	4.52	0
2014	5.21	-0.35	1.58	-4.03	4.48	-0.89
2015	5.56	6.61	1.63	3.03	4.74	5.77
2016	6.84	23.05	1.80	10.78	5.68	19.76
2017	7.87	15.12	2.04	13.00	6.42	13.03
2018	9.05	14.95	2.29	12.33	7.16	11.58

2019	9.21	1.75	2.92	27.36	7.28	1.69
2020	10.21	10.86	2.85	-2.43	7.59	4.34
Average	7.40		2.10		5.89	
CAGR		10.29		8.58		7.20

Source: Data analysis

Table 7: independent samples t test

Group Statistics

	BANKGROUP	N	Mean	Std. Deviation	Std. Error Mean
GROWTHINNPA	PSB	7	10.2843	8.24490	3.11628
	PB	7	8.5771	10.81790	4.08878

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
GROWTHINNPA	Equal variances assumed	.420	.529	.332	12	.746	1.70714	5.14095	-9.49402	12.90831
	Equal variances not assumed			.332	11.212	.746	1.70714	5.14095	-9.58197	12.99625

Source: Data analysis

Table 5 and 6 gives details about the growth rate in NPA of PSBs and PBs.

It could be seen that the average growth rate in PSA of PSBs was 10.28 and PBs, 8.5771. The rate of NPA is increasing at an alarmed rate in the case of both the bank groups. The independent samples t- test shows that the P value is 0.529 at 5 % level of significance and it is inferred that there is no significant difference in the growth rate in NPA from priority sector lending of both the groups of banks.

Non- Priority Sector Advances and NPA of all Scheduled Commercial Banks

Non-Priority Sector Advances and NPA of all Scheduled Commercial Banks

Table 8: Non-Priority Sector Advances – NPA (in Crores)

Year	Gross Advances			Gross NPA		
	PSBs	PBs	Total (excluding FBs)	PSBs	PBs	Total (excluding FBs)
2013	2,776,900	730,900	3507800	89,000	14,800	103,800
2014	3,071,160	828,675	3,899,835	137,546	16,689	154,235
2015	3,159,315	994,577	4,153,892	169,060	24,365	193,425
2016	3,208,408	1,229,704	4,438,112	373,952	38,241	412,193
2017	3,182,309	1,452,876	4,635,185	486,780	60,549	547,329
2018	4069398	1921291	6249110	657964	83998	754608
2019	4076484	2423354	7269985	497794	126991	636154
2020	4300870	2503486	7119270	408205	147751	564787

Source: RBI publications

**including Gross advances and GNPA of small finance banks from 2018*

Table 9: Non-Priority Sector Advances - NPA

Year	% ge of GNPA to GA		
	PSBs	PBs	All SCBs
2013	3.21	2.02	2.96
2014	4.48	2.01	3.95
2015	5.35	2.45	4.66
2016	11.66	3.11	9.29
2017	15.30	4.17	11.81
2018	16.17	4.37	12.08
2019	12.21	5.24	8.75
2020	9.49	5.90	7.93

Source: Data analysis

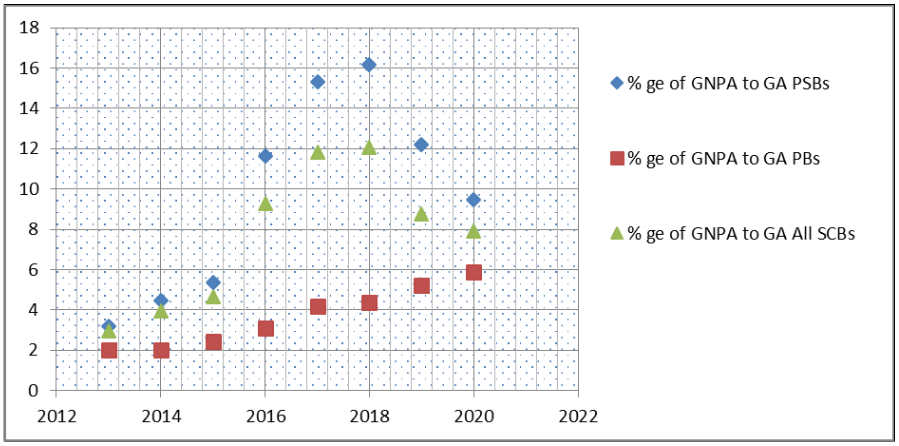

Fig 2: Percentage of NPA from non-priority sector advances

Table 10: Independents sample t test

Group Statistics

	BANKGROUP	N	Mean	Std. Deviation	Std. Error Mean
NPSANPA	PSB	8	9.7337	4.95247	1.75096
	PB	8	3.6587	1.48598	.52537

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means					95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
NPSANPA	Equal variances assumed	11.332	.005	3.323	14	.005	6.07500	1.82808	2.15415	9.99585
	Equal variances not assumed			3.323	8.250	.010	6.07500	1.82808	1.88159	10.26841

Source: Data analysis

From the tables 8 and 9 depicts the gross advances and gross NPA from non-priority sector advances of all scheduled commercial banks excluding foreign banks, public sector banks and private banks in India for the period from 2013 to 2020, percentage of gross NPA to gross advances from non-priority sector advances, and the average NPA of PSBs and PBs. In the case of PSBs, the percentage of NPA from priority sector advances had been increasing from 2013 to 2018 and then decreases. In the case of PBs, the ratio had been increasing. It is inferred that the ratio was higher in the case of public sector banks.

The difference in the NPA from non-priority sector advances between two bank groups have been studied by using independent samples t test. Considering the difference in the percentage of GNPA to GA from non-priority sector lending between PSBs and PBs, it is inferred that the difference is highly significant at 5percent level of significance as the P value is .005 which is less than 0.05 and the corresponding F value was 11.332.

Non-Priority Sector Advances – Growth rate in NPA

Table 11: Non-Priority Sector Advances – Growth rate in NPA

Year	% ge of GNPA to GA and growth rate of GNPA					
	PSBs		PBs		All SCBs	
	% ge of GNPA to Gross advances	**Growth rate of GNPA**	% ge of GNPA to Gross advances	Growth rate of GNPA	% ge of GNPA to Gross advances	Growth rate of GNPA
2013	3.21	0.00	2.02	0.00	2.96	0.00
2014	4.48	39.56	2.01	-0.50	3.95	33.45
2015	5.35	19.42	2.45	21.89	4.66	17.97
2016	11.66	117.94	3.11	26.94	9.29	99.36
2017	15.30	31.22	4.17	34.08	12.05	29.71
2018	16.17	5.69	4.37	4.80	12.08	0.25
2019	12.21	-24.49	5.24	19.91	8.75	(27.57)

2020	9.49	-22.28	5.90	12.60	7.93	(9.37)
Average	9.73		3.66		7.71	
CAGR		23.8657		17.1029		17.97

Source: Data analysis

Table 12: Independent sample t-test

Group Statistics

	BANKGROUP	N	Mean	Std. Deviation	Std. Error Mean
GROWTHINNPA	PSB	7	23.8657	48.24968	18.23667
	PB	7	17.1029	12.22897	4.62212

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means					95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
GROWTHINNPA	Equal variances assumed	3.694	.079	.359	12	.725	6.76286	18.81329	-34.22778	47.75350
	Equal variances not assumed			.359	6.768	.730	6.76286	18.81329	-38.03495	51.56067

Source: Data analysis

Table 10 and 11 gives details about the growth rate in Non-priority sector advances of PSBs and PBs. It could be seen that the compound average growth rate in NPA of PSBs was 23.8657 and PBs, 17.1029. The rate of NPA is increasing at an alarmed rate in the case of both the bank groups. But private sector banks succeeded in reducing their NPA rate to a substantial percentage from 2018 onwards. The independent samples t- test shows that the P value is 0.079 (less than 0.05) at 5 % level of significance and it is inferred that there is no significant difference in the growth rate in NPA from priority sector lending of both the groups of banks.

NPA from Priority Sector Advances vs. NPA from Non-Priority Sector Advances

In order to know whether there is any difference in NPA from priority sector advances and Non-priority sector advances of both bank groups Univariate Analysis of Variance- Two Way ANOVA was used. From this, the difference in sector-wise NPA, bank group-wise and sector-wise lending and group-wise NPA is measured.

Table 13: Univariate Analysis Two Way ANOVA

Between-Subjects Factors

		Value Label	N
SECTOR	1	PSA	16
	2	NPSA	16
BANKGROUP	1	PSB	16
	2	PB	16

Tests of Between-Subjects Effects

Dependent Variable: NPA

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	290.509[a]	3	96.836	12.522	<.001
Intercept	1047.446	1	1047.446	135.452	<.001
SECTOR	30.420	1	30.420	3.934	.057
BANKGROUP	258.895	1	258.895	33.479	<.001
SECTOR * BANKGROUP	1.194	1	1.194	.154	.697
Error	216.523	28	7.733		
Total	1554.478	32			
Corrected Total	507.032	31			

a. R Squared = .573 (Adjusted R Squared = .527)

Source: Data analysis

Table 12, tests of between subject effects clearly indicates the following:

1. The difference in NPA from sector-wise lending and bank group-wise is not significant as the P value is 0.697 at 5 % level of significance.
2. There is significant difference in the mean NPAs of PSBs and PBs.
3. The difference in NPA from priority sector lending and non-priority lending is Significant as the p value is 0.05 at 5 % level of significance.

Overall NPA – Bank Group-wise and Sector -wise Comparison (Post hoc Analysis)

Table 14: Overall NPA – Bank Group-wise and Sector -wise Comparison (Post hoc Analysis)

Multiple Comparisons

Dependent Variable: NPA

LSD

(I) BANKGROUP	(J) BANKGROUP	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval Lower Bound	Upper Bound
PSB	PB	5.6888*	.96660	<.001	3.7381	7.6394
	ALL SCBs	1.7344	.96660	.080	-.2163	3.6850
PB	PSB	-5.6888*	.96660	<.001	-7.6394	-3.7381
	ALL SCBs	-3.9544*	.96660	<.001	-5.9050	-2.0037
ALL SCBs	PSB	-1.7344	.96660	.080	-3.6850	.2163
	PB	3.9544*	.96660	<.001	2.0037	5.9050

Based on observed means.
The error term is Mean Square(Error) = 7.474.

*. The mean difference is significant at the 0.05 level.

Source: Data analysis

Post Hoc Analysis is done to find out the difference between NPA of different bank groups. Regarding overall NPA constituting NPA from priority sector advances as well as non-priority sector advances, it is inferred that there is significant difference in the NPA of PSBs and PBs. whereas the difference is highly insignificant between PSBs and NPA of all scheduled commercial banks. The difference in NPA percentage between PBs and All SCBs is highly significant.

Conclusion

The mounting of non-performing assets is one of the major reasons for the decline in profitability of banks. The profit figures of public sector banks showed very less or majority of the banks are running at a loss whereas private banks are running at a profit. Commercial banks usually lend money to the priority sector and non-priority sector. Priority sector lending is mandatory and so it is of great interest to see the NPA percentage of both the groups of banks from PSA and NPSA. The NPA percentage of PSBs and PBS from PSA and NPSA are increasing but the rate is higher in the case of PSBs. There is significant difference in the NPA between bank groups from PSA and NPSA but the difference is insignificant regarding growth rate in NPA. Even though the difference in overall NPA between PSBs and PBs, PBs and All SCBs is highly significant, it is insignificant between PSBs and All SCBs. The private sector banks are better in managing their NPAs. More attention will be required from both the groups of banks in reducing their NPA rates; otherwise it will lead to the erosion of money from banks.

Scope for Further Research

1. Research on NPA from each sector of priority sector lending such as agriculture and allied sectors, education, MSME etc. by PSBs and PBs
2. Research on NPA from each sector of non-priority sector lending such as industry business etc.by PSBs and PBs.
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