

REASONS OF NPAS OF NATIONALIZED, PRIVATE AND OTHER BANKS IN RAJASTHAN

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ABSTRACT

Non Performing Assets (NPAs) are becoming big problem for the banks. The efficiency of banks is questioned due to rise in NPAs. Many a times it is argued that nationalized banks are not all that efficient like private banks, that's why they are having more NPAs. Other banks are also better than the nationalized banks as far as NPAs are concerned. To verify the truth of this notion this study was taken into hand in which a comparative study of the reasons of NPAs of nationalized, private and other banks was done. To what extent the reasons of NPAs differ for different banks. Is there any significant difference in the reasons of NPAs of different banks or it is nothing like that. This study was done in the state of Rajasthan in which opinion of 480 managers and employees of banks was collected through the structured questionnaire.

Key words: *NPAs, Reasons, nationalized banks, private banks, other banks*

Introduction:

Banks borrow accept deposits from the public and lend it to the businessmen, traders, industrialists, companies, proprietary firms, partnership firms etc. Banks take precautions while lending the loan. They offer secured loan for the commercial activities. Personal loans are also provided with security or guarantee. Despite all these efforts and precautions few loans turn into bad debts or non performing assets. Every Bank in India observe the rules and guidelines of Reserve Bank of India in maintaining cash reserve ratio (CRR), statutory liquidity ratio (SLR) and follow the norms of lending yet mode of operation and work culture of every bank differ from another. On that basis it is generally considered that nationalized banks are not as efficient as private and other banks. To investigate this phenomenon and to understand their causes this study was taken into hand in which three categories of banks were studied comparatively.

Vivek Rajbahadur Singh (2016) examined that Non-performing assets are one of the major concerns for

scheduled commercial banks in India as they reflect the performance of the banks. It was found that NPAs affected the liquidity and profitability, which in turn lead to threat on quality of asset and survival of banks and economy as a whole.

Alaa El-Shazly (2016) revealed in his study that privatization of the banks helped to improve market competitiveness, efficiency and stability. Improved corporate governance and management skills are required to strengthen bank supervision.

Zahoor Ahmad and M. Jegadeeshwaran (2013) expressed that there are multiple reasons of NPAs in nationalized banks. Major among these are the inappropriate and biased lending to the specific borrower, weak credit appraisal system is also big reason of NPAs in industrial sector. Improper and irregular follow up also leads to default in payment.

Overall recession in the market and economy causes NPAs at mass level. Natural calamities and disasters are also the reason of NPAs in agricultural loans and dependency on monsoon is also a reason of NPAs.

Ramesh K.V and Sudhakar A (2012) study the reason of NPA in Canara Bank and State Bank of India. They conducted a study which covers a period of 10 years i.e. from year 2000 to 2010. There are several factors which play vital role in NPAs generation. Major among these are flaws in legal system, unethical practices, weak regulatory system, poor credit appraisal, lethargic credit recovery procedure, low motivational level of bank workers etc.

Sample:

Nationalized banks namely Punjab National Bank and Bank of Baroda, private sector banks namely ICICI bank and Axis Bank and other banks namely Central cooperative Bank Limited and Rajasthan Marudhara Gramin Bank were chosen for this study. 80-80 bank executives and managers from each bank were chosen randomly for this investigation. In all the opinion of 480 bank executive were collected related to the reasons of NPA in their bank.

Hypothesis:

There is no significant difference between the reasons of NPAs in nationalized, private and other banks in Rajasthan.

Research analysis:

On 5 point Likert Scale, the opinion of bank managers and executives was collected related to the 12 reasons of NPAs asked from 160-160 managers of each category of bank. Their opinion is expressed in data in table 1 ahead.

Table 1: Reasons of NPAs of nationalized, private and other banks in Rajasthan

Reason of NPAs	Nationalized Banks	Private banks	Other Banks	Total Score
Over ambitious project	395	408	431	1234
Dependency on few customers	295	284	336	915
Inadequate capital	658	659	654	1971
Poor working Capital Management	646	641	638	1925
Longer gestation period	313	322	335	970
Poor quality management	657	664	667	1988
Poor HR management	621	619	607	1847
Unwanted expenses	596	589	602	1787
Poor credit collection	389	402	394	1185
Misuse of funds	366	373	365	1104
Willful default	339	329	361	1029
Marketing weakness	670	684	679	2033

12 reasons related to the borrowers were studied in all three categories of banks. This study reveals that marketing weakness is the biggest reason of NPAs followed by poor quality management and inadequate capital. Poor working capital Management and HR management are also the reason of NPAs.

To understand the difference in reasons of NPAs among these three types of banks ANOVA test was done which shows that the F value is 0.015 that is less than its table value 2.88 at 5% level of significance so it can easily be concluded that there is

no significant difference among the reasons of NPAs among different banks working in Rajasthan state. The difference is there but it is not significant that it can be attributed to any particular bank. The reasons of NPAs are almost common in all three categories of banks. Same rules and guidelines need to be observed by all the banks to curb the NPAs. Hence the hypothesis is fully accepted that there is no significant difference between the reasons of NPAs in nationalized, private and other banks in Rajasthan.

Table 2: ANOVA Test among banks relating to reasons of NPAs

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	701.167	2	350.583	0.015	0.985
Within Groups	769178.833	33	23308.449		
Total	769880.000	35			

Conclusion:

NPAs are not confined to any particular type of bank. All banks whether it is nationalized bank or private bank or other banks it occurs and the reasons are also similar. So it can't be said that nationalized banks are performing improperly or private banks are better than those banks. In fact there is no such difference as far as NPAs are concerned; the reasons of NPAs which are same irrespective of the bank so uniform policy need to be maintained by the Reserve Bank of India and the audit of banks need to be done regularly without any discrimination.

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