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A Study of Non- Performing Assets of ICICI Bank Pvt. Ltd, Nagpur

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Abstract: *The commercial bank encourages the flow of funds in the economy and stimulates economic growth. The effectiveness of banking system always establishes the pace of development of the economy. The commercial bank is assessed based on the profitability position and assets it possess. The asset excellence is a prime concern and impacts different performance indicators like intermediation costs, credibility, profitability, liquidity, income producing capacity and generally working of commercial banks. The reducing in asset quality results in accumulation ofNon Performing Assets (NPAs). Now-a-days, the non-performing assets are thought -about a huge problem in Indian commercial banking industry. Non-Performing Assets have been declining regularly year by year excluding in some years in public sector commercial banks, on the contrary, the non-performing assets of private sector banks have been decreasing regularly year by year. Hence, there is need to study the Non –Performing Assets Management in Indian Banking Sector. The Industrial Credit and Investment Corporation of India (ICICI) bank have been chosen for the study because it is a leading private sector bank in India. This bank is exceptional service provider as they work in a more converse and competitive environment.*

Keywords: Accounts, cards, loan, investment, insurance, payment, etc

I. INTRODUCTION

The economy's backbone has always been a robust banking sector. Banking began in India in the latter decade of the eighteenth century. In India, private sector banks account for the majority of banking. In both rural and urban regions, private sector banks have a large network of branches. However, they have since expanded their operations to include other areas such as merchant banking, leasing, and venture capital, among others. Due to increased competition, private banks have been lending aggressively to consumers, which has resulted in a rise in the percentage of non-performing assets. Non-performing assets (NPAs) have long been a key indicator of a bank's financial success since they result in lower margins and increased provisioning requirements for questionable loans. The overarching goal has been to improve the system's competitiveness, efficiency, and profitability. The banking industry has always been critical to a thriving economy. The downfall of the banking industry might have ramifications in other industries as well. Non-performing assets (NPA) have long been a source of worry for Indian banks. The performance of banks has been reflected in the number of nonperforming assets (NPAs). "An asset is classified as non-performing asset if dues in the form of principal and interest are not paid by the borrower for a period of 180 days. However, with effect from March 2004, default is given to the borrower if the dues are not paid for 90 days." Banks' basic functions are to take deposits and extend credit. The most important source of income for banks is interest on different loans and advances. When the principle or interest payment is in default or in arrears for a period of 90 days, the loan or advance is designated as a non-performing asset. Non-performing assets are divided into three types based on the length of time they have been inactive.

Problem statement

to study the borrower stops paying interest or principal on a loan, the lender will lose money. Such a loan is known as Non-Performing Asset (NPA).

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II. LITERATURE REVIEW

Goyal Kanika (2010) studied the increment in gross and net NPAs. The increase in gross and net NPAs was investigated by Goyal Kanika (2010). The research focused on public sector banks and the agricultural industry. The analysis relied on secondary data, which was obtained from the Reserve Bank of India's website. Various statistical tools, such as regression and ANOVA, were used. The findings revealed that public sector banks have been able to effectively manage their assets, although nonperforming assets (NPAs) have been a problem and also matter of concern for agricultural sector.

Kamalpreet Kaur and Balraj Singh (2011) studied the NPAs in the Indian banking industry and investigated the same. The study looked into a variety of topics, including the size of NPAs, their causes, and their influence on the Indian economy. The findings revealed that public sector banks in India have been falling behind in managing their nonperforming assets (NPAs), and the authors recommended that the government take strong measures in this regard.

Ramesh.K.V, Sudhakar.A. (2012) using Canara and SBI banks as case studies, investigated NPA management in public sector banks. Secondary data was retrieved over a ten-year period between 2000 and 2010. It was determined that nonperforming assets (NPAs) were not adequately handled in the banks under investigation, resulting in poor performance.

Chirag and Hiral (2019) in their study on "A comparative Study of management of NPA in selected public and private sector bank in India" studies the topic of non-performing assets has been explored in numerous theoretical and empirical studies in the banking literature. The current study is based on secondary data, and the researcher used a variety of statistical and mathematical tools, such as graphing and tabulation, to conduct it. According to the findings, public sector banks have a greater problem with fraud.

Alagarsam & Ganapathy (2017) conducted research on the "Performance of Non-Performing Assets on the State Bank of India." The current study is based on secondary data, and the researcher used a variety of statistical and mathematical tools, such as graphing and tabulation, to conduct it. The study indicates that the rate of increase in lending money is slowing, and the gross and net nonperforming assets (NPA) ratios are rising year after year. Foreign banks are capable of managing the NPAs of public sector banks, and they must be observed by foreign banks, and banks should be free of government intervention.

Dixit (2016) conducted research on "Performance Analysis of Private and Public Sector Banks With Reference To ICICI Bank and State Bank of India." The researcher used different statistical and mathematical tools such as ratio, trend analysis, and tabulation to conduct this study, which is based on secondary data. The analysis concludes that SBI's performance Is worse in comparison to ICICI due to its negative growth rate. In comparison to ICICI bank, however, SBI has higher absolute values. SBI must concentrate on its region in order to improve efficiency, profitability, and liquidity in order to achieve favourable outcomes in the following year. ICICI Bank, the largest private sector bank, has a higher positive growth rate than SBI, with complete efficiency and profitability in all areas.

Jaiswal & Jain (2016) conducted research on "A Comparative Study of Financial Performance of SBI and ICICI Bank in India. "The current research is based on secondary data, and the researcher used a variety of statistical and mathematical tools such as ratios, graphs, correlations, regressions, and tabulations. In comparison to ICICI bank, the analysis concludes that SBI is financially healthy. Again, SBI has fewer bad debts than ICICI. The reason behind this is because ICICI has advanced more money to its customers than SBI. Another reason is that SBI is a public sector bank, but ICICI is a private sector bank, thus it provides more advance to customers in order to preserve its market image.

Shah & Sharma (2016) conducted research on "A Comparative Study Of Non-Performing Assets In ICICI Bank And HDFC Bank." The current study is based on secondary data, and the researcher used a variety of statistical and mathematical tools, such as tabulation, percentages, and graphs, to conduct it. It was concluded that it is not feasible to completely remove nonperforming assets in the banking industry; nevertheless, they can be reduced. On the other hand, in order to avoid NPA, the banker must employ those legal experts and take the appropriate steps and follow up on the advance.

Rao (2014) in their research study on "An Analysis of the Performance of Private and Public Sector Banking System. "The current study is based on secondary data, and the researcher used a variety of statistical and mathematical tools, such as tabulation and graphing, to conduct it. The study concludes that HDFC's performance is superior to that of SBI,

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and THAT HDFC's financial performance is superior to that of SBI. NPAs, Net profit margin, Net Interest margin, and Return on equity are all better than SBI, however SBI's share value performance in the market is greater than HDFC's.

2.1 OBJECTIVES OF PAPER

1. To understand the meaning and classification of Non-Performing Assets.
2. To study about the performance and future challenges of the ICICI bank ltd.
3. To understand the trends of NPA's over the year.
4. To understand the causes of Non-Performing Assets.

2.2 SIGNIFICANCE OF RESEARCH

The efficiency of a commercial bank is reflected by both the level of its balance sheet and the amount of return on its assets. Specifically the non-performing assets con not be create financial income for banks however at the same time banks are required to create available provisions for non-performing assets from their current profits. Now-a-days, the non-performing assets are thought -about a huge problem in Indian commercial banking industry. Non-Performing Assets have been declining regularly year by year excluding in some years in public sector commercial banks, on the contrary, the non-performing assets of private sector banks have been decreasing regularly year by year. Hence, there is need to study the Non –Performing Assets Management in Indian Banking Sector.

2.3 HYPOTHESIS:-

H1. There is no significant impact of non-performing assets on profitability.

III. RESEARCH METHODS

Method of data collection

Primary data collection sources:

Conduct interviews, survey and observations.

Secondary data collection sources:

Secondary data is collected from ICICI bank and SBI bank's offices, libraries, magazines, newspapers, earlier related studies, etc. Various reports published by RBI related to banking have been considered for understanding the problems of marketing of services by the bank.

Sampling Technique:

Simple Random Sampling Method

Sample Size:

5 years data

Instrument of Data Collection:

Questionnaires based on close ended questions, multiple choice and likert scale.

Statistical Technique:

One sample t- test used to compare the dependency in the hypothesis.

IV. ANALYSIS AND INTERPRETATION

Analysis of NPAs:

1. Problem assets ratio: In the banking sector, a ratio that indicates the proportion of issue assets to sound assets. A problem asset in the banking and credit markets can be either a business loan that is at least 90 days past due or a consumer debt that is at least 180 days past due. A nonperforming asset is another term for this sort of asset (loan). In the end, the problem assets ratio is a gauge of the banking and lending industries' and the economy's health. A larger ratio indicates that there are more problems loans, and vice versa.

Formula:

$$\text{Assets Ratio} = \text{Gross NPA} / \text{Total assets} * 100$$

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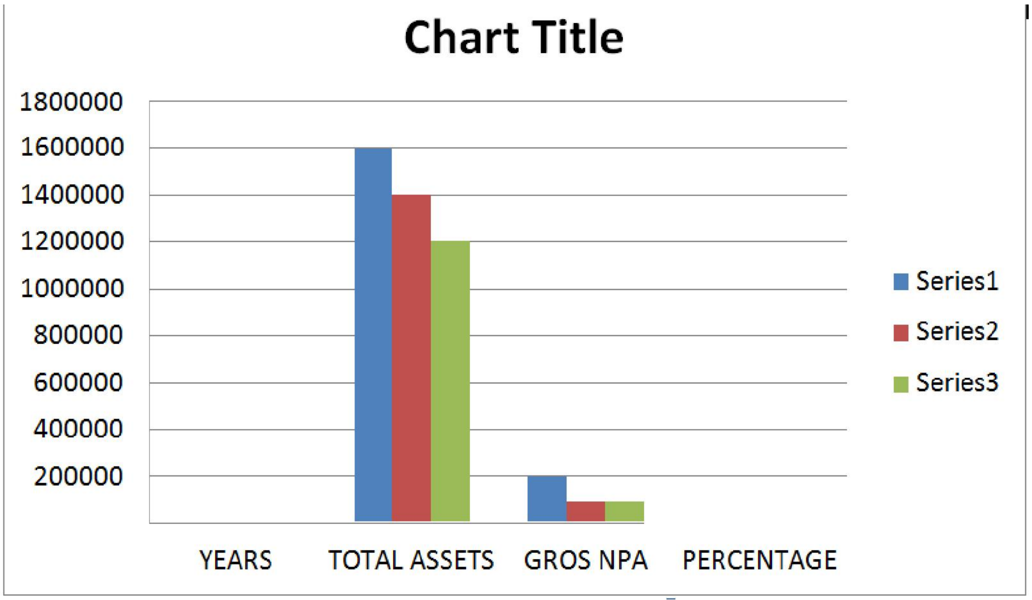
YEARS	TOTAL ASSETS	GROS NPA	PERCENTAGE
2023	1,584,206.65	119,325.49	7.5321
2022	1,411,297.74	107,231.36	7.5980
2021	1,230,432.68	91,630.96	7.4470



Interpretation:

The problem asset ratio was slightly decreasing in the initial years. From 2021 till 2022 there was a fall. In 2022 and 2023 the problem asset ratio was lowest i.e., 0.0018%. it was maximumin the year 2023 at 7.4470%. during the year 2022- 2023 there was an increasing trend in the problem assets of ICICI bank were increasing. But after 2013 a decreasing trend is recorded in the problem asset ratio which is a good sign.

Total Provision Ratio: The Total provision ratio gives an indication of the provision made against bad loans from the profit generated. A higher ratio means the bank can withstand futurelosses better, including unexpected losses beyond the loan loss provision.

Formula:

Total provision ratio= total provision/gross NPA *100

YEARS	TOTAL PROVISION	GROS NPA	PERCENAGE
2023	83,325.08	31,183.70	3%
2022	68,982.79	33,294.92	4%
2021	58,770.37	40,841.42	8%

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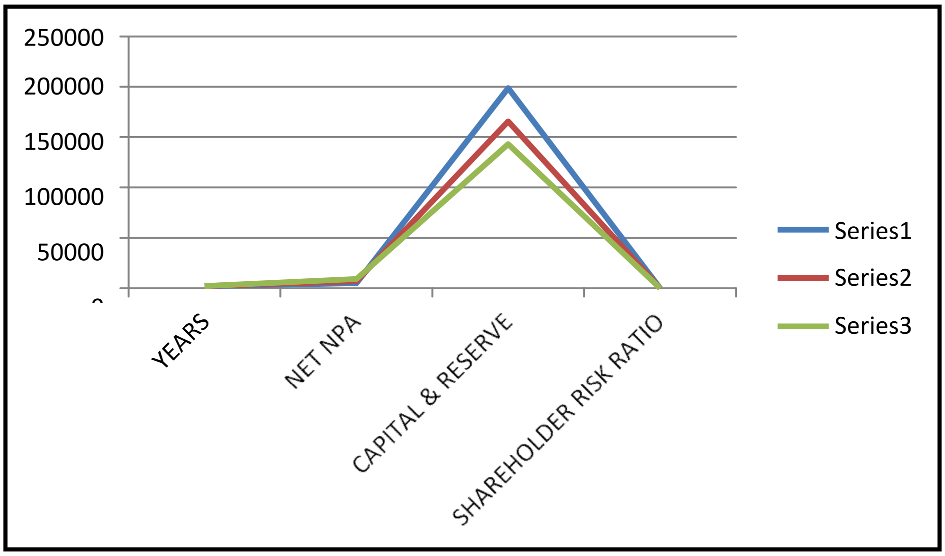
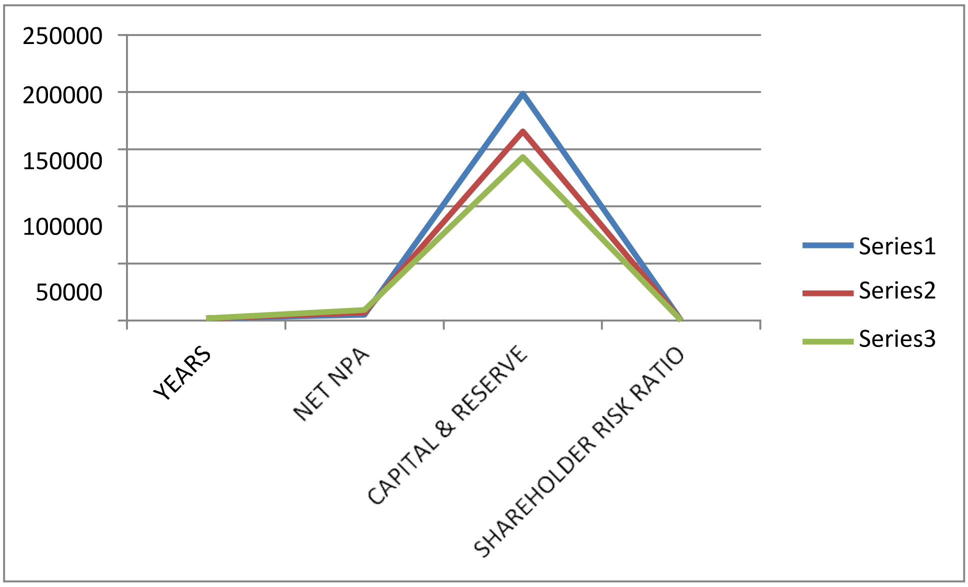


Interpretation:
ICICI bank had the highest provisions at 3 percent in 2021, following which the provisions decreased. In 2022, the lowest provision rate of 4 percent was maintained. However, in 2023, the provisions began to improve. The bank is preparing itself to withstand the uncertainties.

Shareholder's risk ratio: The shareholder risk ratio shows how much of a company's assetswere produced through the issuance of stock shares rather than debt. The lower the debt-to- equity ratio, the more debt a firm has utilised to finance its assets. The ratio is derived by dividing Net NPA by the company's total assets and presented as a percentage. The quantity of assets on which shareholders have a residual claim is represented by the outcome.

Formula:
Shareholders risk ratio = Net NPA / Total capital and free reserves



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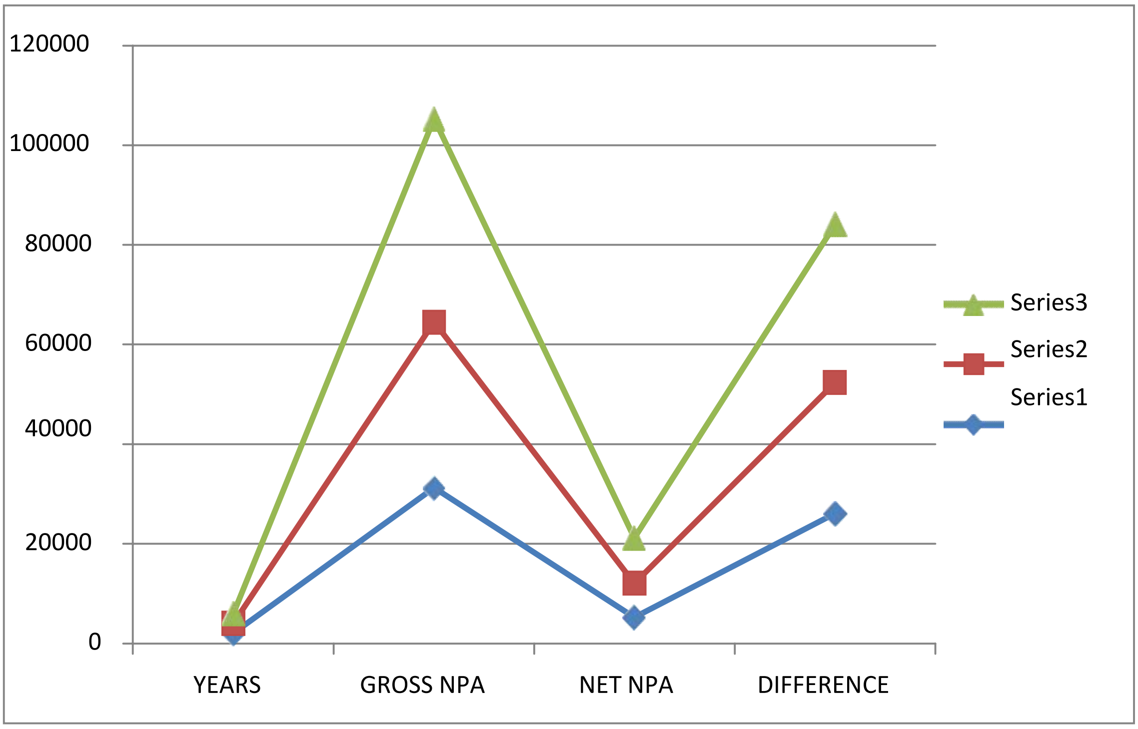
Interpretation:
The above table shows the highest shareholders risk in the year 2023. There was the huge decreased in the year 2021the highest shareholders risk in the year 2023. But it is not well to the bank earning so lowest in the present year while compared to 2023.

Comparative NPA ratios:

YEARS	GROSS NPA	NET NPA	DIFFERENCE
2023	31,183.70	5,155.07	26,027.93
2022	33,294.92	6,931.04	26,362.96
2021	40,841.42	9,117.666	31,723.754



Interpretation:
Both gross NPA and net NPA ratios are stagnant from 2021-2023. Gross NPA was nil for initial years then it increased till 2023. In the year 2023gross NPA was maximum at 9% in2023 it was again nil after which it again increased steeply in 2021. Last year it was at 6%. Lower the ratio, the better is the quality of bank's assets. Net NPA ratio was lowest in the initial four years at 1%.It was maximum in the year 2022 and 2023 at 5%.

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CALULATE PROFIT &LOSS

YEAR	NET PROFIT	SALES	PERCENTYAGE
2023	31,896.50	253000.65	64%
2022	23,339.49	233560.22	35%
2021	16,192.68	133640.12	23%

V. CONCLUSION, DISCUSSIONS, IMPLICATIONS AND FUTURE RESEARCH

5.1 Conclusion

Because non-performing assets are a direct reflection of asset quality, assessing them may be beneficial in overall credit management for any bank. However, managing non-performing assetsis a daunting undertaking. NPA is a virus that\ stifles the banking industry's expansion. Unlike public sector banks, which are major lenders to sluggish sectors like electricity and agriculture, which suffer the brunt of economic slackening, private sector banks are attentive in credit assessment, loan recovery, and risk management, and therefore can restrict bad loans. Private sector banks are more likely to lend to middle-class customers who are committed to repaying their loans honestly and on time. Banks shoul follow the credit assessment procedure, adequate paperwork, frequent loan monitoring, and internal risk reporting mechanism. Moreover, it could be suggested that banks must focus on the borrower's credibility before sanctioning loans to them and strict procedures should be followed before lending to the customers so as to be safer in terms of quality assets. Internal audits and the bank's corporate governance structure aid in understanding the consequences of a risk management system failure.

5.2 Discussions:

The global economy recovered from the impact of the pandemic during calendar year 2021. Growth in global gross domestic product (GDP) improved to 6.1% during calendar year 2021 compared to a decline of 3.1% in calendar year 2020. However, global economies continued to be impacted by intermittent surges in infections and emergence of Covid-19 variants. The supplychain disruptions that had originated during the pandemic continued to impact economic activity and global merchandise trade slowed down towards the later part of the year after recovering from the pandemic. Global crude oil and commodity prices increased during the year. Rising inflation in developed and emerging economies induced monetary policy tightening by central banks in several economies, including the US Federal Reserve. The economic environment was further impacted by geo-political tensions following the Russia-Ukraine war that started in February 2022, leading to a sharp increase in crude oil prices and inflation, and volatility in financial markets. These developments and the re-imposition of restrictions in parts of China following a surge in Covid-19 cases had created a challenging environment for global growth inthe later part of fiscal 2022.

5.3 Implications

These are NPAs with an extended period of non-payment. With this class, banks are forced toaccept that the loan will never be repaid and the entire amount of the loan must be written offcompletely.

5.4 Future Research:

Methodology is the systematic, theoretical analysis of the methods applied to a field of study, or the theoretical analysis of the body of methods and principles associated with a branch of knowledge My research methodology requires gathering relevant data from the annual reports of PNB and compiling data in order to critically analyze the Total Advances, Net Profit, Gross NPA, Net NPA of PNB and arrive at a more complete understanding about performance of PNB The study uses the annual reports of Punjab National Bank for the period of six years from 2006-07 to 2011-12. The data has been analyzed by using tables and coefficient of correlation. Table isused to compare total advances, gross NPA, net NPA & profits of PNB. By using the coefficient of correlation we want to determine whether there is any relation between Net Profits and Net NPA of PNB or not

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VI. FINDINGS

The gross non-performing assets and advances are showing growing trend and it indicates that the bank is required special attention to be given to issue the loans and collections.

The gross non-performing assets to gross advances ratio is increasing year by year. Then the ICICI bank required more attention to manage their non-performing assets.

The gross non-performing assets to total assets ratio is decreasing. It means the ICICI bank is regularly reducing the gross non-performing assets from the last five year in the study period oflast ten year.

Then ICICI bank required additional care to collect the non-performing assets. The net advancesare regularly increasing year by year.The net non-performing assets to net advances ratio is increasing year by year. Then the ICICI bank required more attention to manage their non-performing assets. Any increase in the percentage of net non-performing assets to net advances ratio has a negative impact on the profitability of the banks which leads to the poor performance of the banks.

The net non-performing assets to total assets ratio is decreasing. It means the ICICI bank is regularly reducing the net non-performing assets from the last five year in the study period of lastten year.

The provision ratio was significantly higher in ICICI bank and ICICI bank have made betterprovisions for their gross non-performing assets in the study period.

The Shareholder's Risk Ratio is increased. This is not a good for the ICICI bank. Then the ICICIcommercial bank has to take appropriate actions to reduce the risk ratio. This can be disturbing the cost of share, goodwill, and the competitive market.

The ICICI bank's sector –wise, industry loans sector higher in banks non-performing assets. Thepersonal loans are very low in non-performing assets in banks. The both agriculture and services sector are occupies similar share in non-performing assets in bank

VII. RECOMMENDATION & SUGGESTION

Banks should try and regain from those borrowers who are deliberately not repaying the loanamount even though they are capable. Banks should use coercion on such borrowers.

The banks should force the borrowers to at least make interest payment if they cannot repaythe principal amount. Even after recovering interest amount the account will still be consideredas a non-performing asset, but the interest amount will help the bank to some extent.

The banks must maintain provisions to meet uncertainties and sufficient cash balances withRBI to avoid losses.

Taking the aid of Lok Adalat to recover the loans will also do

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