



A STUDY ON COMPARITIVE ANALYSIS OF NON-PERFORMING ASSETS IN SBI AND AXIS BANK

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Abstract

Banking system plays an important role in promoting economic growth by allocating efficiency of resources. The strength and soundness of the banking system primarily depends on the quality of the assets. One word that terrifies banking industry is Non-Performing Assets (NPA). NPA not only effects banking industry but also effects the economy. The bottom line of any bank gets influenced by the changes in Non-Performing Assets. What's the blunt thing is NPA's does not generate any income, whereas, the bank is required to make provisions for such assets. This paper is intended to explore a brief comparison between SBI bank and AXIS bank. The objective of the research is to know the Gross NPA's, Net NPA's and Return of Assets of SBI bank and AXIS bank for the last 5 years. The data for the study is secondary data which is collected from respective official websites of banks. The percentage method is used to analyze the 5 years data of these two banks which are SBI bank and AXIS bank.

Key words: *Non-performing assets, Gross NPAs, Net NPAs, Return on assets.*

INTRODUCTION

Banking sector is the biggest sector in India. According to Sec.5 of the Banking regulation act, 1949, a banking company means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise and withdrawn by cheque, draft, order, or otherwise. In India, Banking sector is regulated by Reserve Bank of India. Reserve Bank of India has been empowered under Banking Regulation act, 1949 to conduct the inspection of banks and regulate them in the interest of banking system, banking policy and depositors/public. Banks are classified into four categories which are Commercial banks, Small finance banks, Payments banks, Co-operative banks. Commercial banks are further categorized into four types Public sector banks, Private sector banks, Foreign banks

and Regional rural banks. Co-operative banks are further classified into Urban co-operative and Rural co-operative banks. The banks foremost function of the banks is to accepting the deposits and lending loans to the public. Deposits accepted from the public is a liability to the banks whereas the loans and advances given by the banks to the public is an asset to the banks as they generate income in the form of interest and commission. When the banks get income from the loans and advances given by them periodically then those assets are categorized as performing assets. Debt is classified as Nonperforming when loan payments have not been made for a period of 90 days. There are two types of NPAs which are Gross NPA and Net NPA. Gross NPA means the total of loan assets that are not paid by the people within the 90 days period. The banks maintain some provisions in case if any non-performing asset arises. Net NPA means the amount after deducting the provision/doubtful debts. Net NPAs shows the actual loss suffered by the banks. Banks classify Non-performing assets into one of the three categories according to how long the asset has been non performing. They are substandard asset- NPAs for less than 12 months, Doubtful asset- NPAs for more than 12 months. Loss assets- NPAs that need to be fully written off.

Objectives:

1. To compare Gross NPAs and Net NPAs between SBI bank and AXIS bank.
2. To know the Return on assets of SBI and AXIS bank.
3. To know the relationship between Net profits and Net NPAs of SBI and AXIS bank.

Review of Literature:

Sagarika Mohanty (2021) “Comparative study of non-Performing assets (NPAs) in selected Public Sector Banks and Private Sector Banks in India” after comparing both public sector banks and private sector banks he found that NPAs are more in public sector than in private sector. RBI is taking certain measures to reduce these NPAs in all the banks by implementing some policies in banks. There is a need to focus more on public sector banks because this is the big issue for both public sector banks and government.

Saha, M., and Zaman, A. (2021) Their study title is Management of NPAs in banks found that there is decrease in non-performing assets and increase in profitability of banks.

Varuna Agarwala, Nidhi Agarwala (2019) “A critical review of non-performing assets in the Indian banking industry” did research by assessing the individual growth rate of banks against average growth rate of all the banks. After the assessment it is shown that the problem lies not only with small sized companies but also with big names in banking industry. NPAs not only affects profits of a company but also affects shareholders wealth.

Vivek Rajbahadur Singh (2016) in his research of “A study of non-performing assets of commercial banks and it’s recovery in India” concluded that NPA’s cannot be reduced to zero in any banks. Also, the NPAs in Indian banks are more than foreign banks. The money locked up in NPAs shows great impact on profitability of the banks. The governments should reduce the mandatory lending to priority sector as this is the major problem creating area.

Santosh Balasaheb Khalate in his “Study on Non-performing assets of nationalized banks in India” showed that NPAs count is more in nationalized banks. He concluded that there are many causes which are also responsible for increasing of NPAs like faculty credit management, lack of professionalism in the work force, irregular repayment schedule, misutilization of loans by user, lack of timely legal solution to cases filed in different courts, waiver of loans by government increases the NPAs in the banks.

Mr. Sangram Padhy and Dr. Rashmita Sahoo (2013) did analysis on “Non-performing assets management of selected scheduled commercial banks using Artificial intelligence”. This research shows how the banks are using the technology to find out the non-performing assets and reduce the probabilities of becoming it non-performing assets. Once the lending process becomes transparent sby the use of technology, it is easy for the banks to find out the NPAs that may happen in future.

Shipra Saxena (2013) in the research of “Management of Nonperforming assets in Banks-An overview” studied the acts and policies used by banks to reduce the NPAs.

Sudin Bag and Sajjilul Islam “Non-performing assets a biggest challenge in banking sector- A comparative study between India and Bangladesh Banking sector” studied on public sector and private sector banks of both India and Bangladesh. It was concluded that in both the countries private sector is able to control the NPAs whereas public sector banks in both the countries were struggling with NPAs.

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Research Methodology:

Data collection:

Secondary data was used to do the comparative analysis of banks. Secondary data has been collected from Annual reports of selected companies from the financial years 2017-2018 to 2021-2022.

Sample size:

Two companies were taken for comparison of Nonperforming assets.

Data analysis:**Analysis of SBI bank:**

Table-1: Gross NPAs, Net NPAs and Return on assets of SBI Bank:

NPA RATIOS	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018
Gross NPA	1,12,023.37	1,26,389.02	149091.85	172750.36	223427.46
Net NPA	27,965.71	36,809.72	51871.3	65894.74	110854.7
Advances	27,33,966.5	24,49,497.7	23,25,289.56	21,85,876.9	19,34,880.1
% of Gross NPA	3.97%	4.98%	6.15%	7.53%	10.91%
% Of Net NPA	1.02%	1.50%	2.23%	3.01%	5.73%
Return on Assets in %	0.74%	0.48%	0.38%	0.02%	-0.19%

Percentage of Gross NPA: $\text{Gross NPA}/\text{Advances}$

Percentage of Net NPA: $\text{Net NPA}/\text{Advances}$

Chart-1 Gross NPAs and Net NPAs

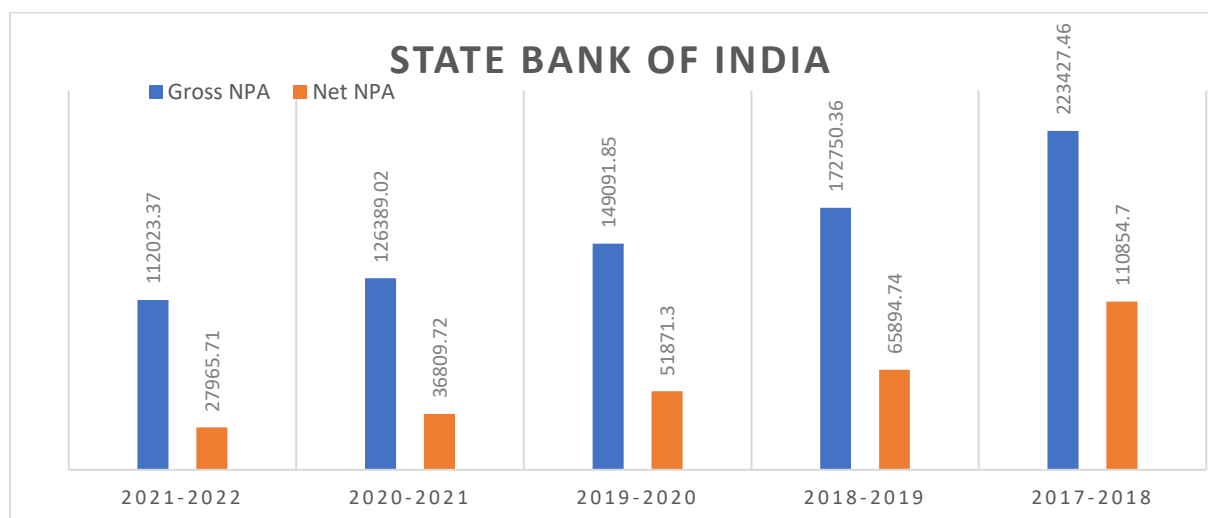
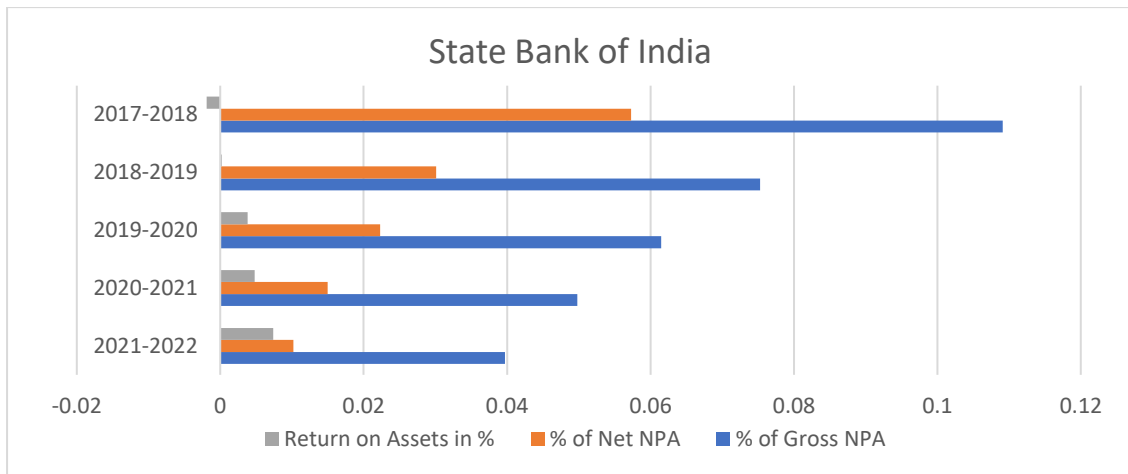


Chart-2: Gross NPAs, Net NPAs and Return on assets

The table and graphs show the SBI Bank performance of NPAs from the financial years 2017 to 2022. It shows that Gross NPAs decreased from 2, 23,427.46 crores in 2017 to 1, 12,023.37 crores in 2022. The Net NPAs of SBI bank decreased from 1,10854.7 crores in 2017 to 27,965.71crores in 2022. The percentage of gross NPAs decreased from 10.91% in 2017 to 3.97% in 2022. The percentage of net NPAs has also decreased from 5.73% in 2017 to 1.02% in 2022. There is drastically decrease of the NPAs in SBI bank during the last 5 years. This shows the improving quality of an asset and the recovering policies followed by them. Return on assets percentage was in negative in 2017 of -0.19% but gradually increased to 0.74% in 2022. Increase in return of assets shows the SBI bank is doing great job in recovering income from NPAs.

Analysis of AXIS Bank:

Table-2 Gross NPAs, Net NPAs and Return on Assets of AXIS Bank

NPA RATIOS	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018
Gross NPA	218.22	25314.84	30233.82	29789.44	34248.64
Net NPA	55.12	6993.52	9360.41	11275.6	16591.71
	7,07,695.9	6,23,720.1	5,71,424.1	4,94,797.9	
Advances	5	9	6	7	4,39,650.30
% of Gross NPA	2.82%	3.70%	4.86%	5.26%	6.77%
% of Net NPA	0.73%	1.05%	1.56%	2.06%	3.40%
Return on					
Assets in %	1.21%	1.11%	0.20%	0.63%	0.04%

Chart- 3 Gross NPAs and Net NPAs of AXIS bank

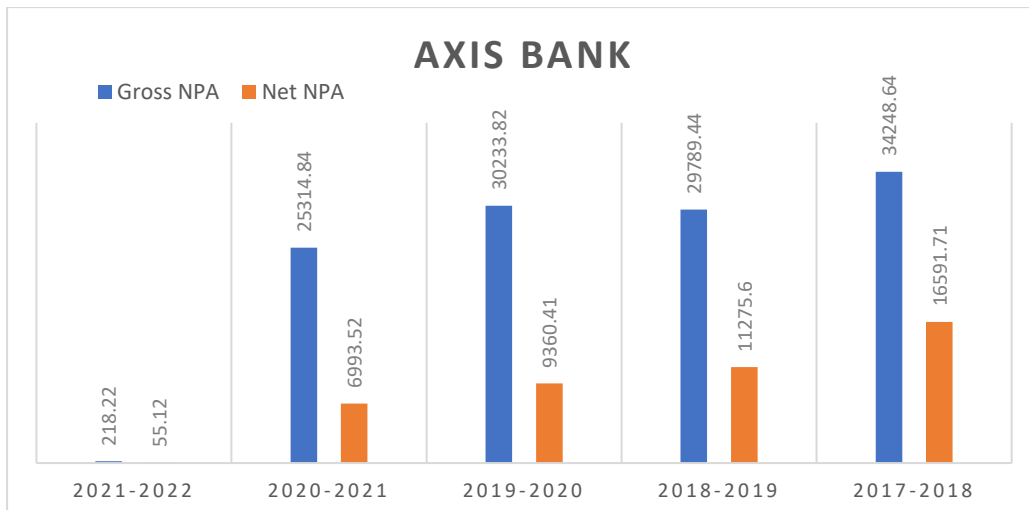
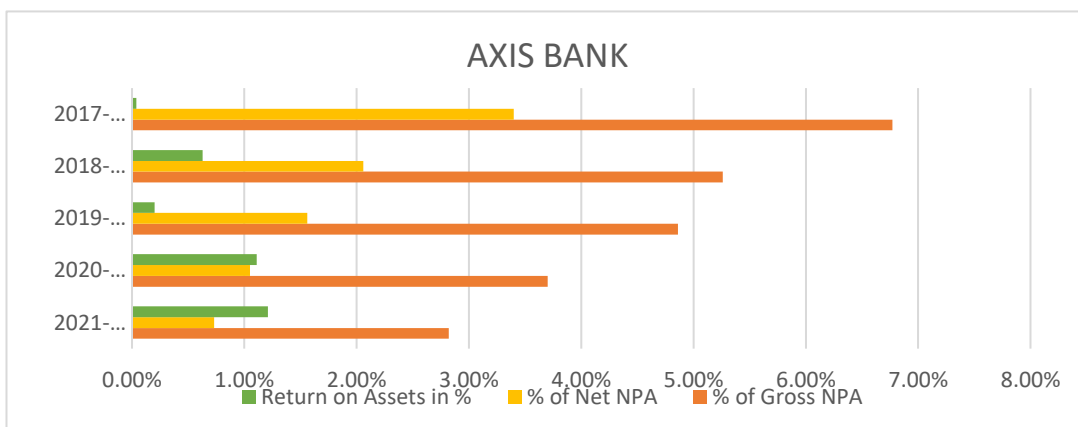


Chart-4 Percentages of Gross NPAs, Net NPAs and Return on Assets



The above table and graph show the performance of Gross NPAs, Net NPAs and Return on assets in AXIS Bank from the financial years 2017 to 2022. The amount of Gross NPAs decreased from Rs 34,248.64 crores in 2017 to Rs 218.22 crores in 2022. The amount of Net NPAs decreased from Rs 16,591.71 crores in 2017 to Rs 55.12 crores in 2022. The percentages of Gross NPAs decreased from 6.77% in 2017 to 2.82% in 2022. The quality of the assets has increased through the years. The actual loss suffered from the NPAs i.e., Net NPAs also decreased from 3.40% in 2017 to 0.73% in 2022. The Return of assets increased from 0.04% in 2017 to 1.21% in 2022.

Relationship between Net profits and Net NPAs in State Bank of India and AXIS bank:

YEAR	SBI (in Rs cr.)		AXIS BANK (in Rs cr.)	
	NET PROFITS	NET NPAs	NET PROFITS	NET NPAs
2021-2022	31,675.98	27,965.71	13,025.48	55.12
2020-2021	20,410.47	36,809.72	6,588.50	6,993.52
2019-2020	14,488.11	51,871.3	1,627.22	9,360.41
2018-2019	862.23	65,894.74	4,676.61	11,275.6
2017-2018	-6,547.45	1,10,854.7	275.68	16,591.71

The above table shows the relationship between Net profits and Net NPAs of SBI and AXIS bank. In SBI, from the year 2017 to 2022 the net profits have increased from negative Rs 6547.45 crores to Rs 31,675.98 crores. Net NPAs decreased from Rs 1,10,854.70 crores in 2017 to Rs 27,965.71 crores in 2022. When Net NPAs decreased net profits had increased in SBI. In AXIS bank, Net profits increased from Rs 275.68 crores in 2017 to Rs 13,025.48 crores in 2022. Net NPAs decreased from Rs 16,591.71 crores in 2017 to Rs 55.12 crores in 2022. There is inverse relationship between net profits and net NPAs. The main reason that banks are very particular about NPAs is they affect net profits directly. When there are high NPAs that means there is no income generating from the assets. If there is no income from the assets then profits will decrease automatically.

Findings:

- **Gross NPAs:** The study is about comparing the Non performing assets in State bank of India and AXIS bank. The Gross NPAs in both the banks has decreased but the decrease in AXIS bank is constant through the years but in 2022 the Gross NPAs were decreased drastically. The gross NPAs were better in AXIS bank than State bank of India.
- **Net NPAs:** In both the banks the Net NPAs has decreased constantly. AXIS has low Net NPAs than State bank of India. Even though there were huge NPAs in State bank of India at some point of time it has decreased to great number. But when we compare both the banks AXIS bank is better than State bank of India.
- **Return on Assets:** Return on assets means the interest from the funds. The percentage of Return on assets is higher in AXIS bank than State bank of India. ROA is higher means it is performing better. So, AXIS bank performance is better than State bank of India.

- Net profits and Net NPAs: In both the banks net profits were increased when there is decrease of Net NPAs.
- The valuations for both the banks i. e SBI and AXIS bank are different. But when it comes to NPAs percentage AXIS bank NPAs were too low compared to SBI. So, AXIS bank is better than the SBI.

Suggestions:

- As a part of curative measures, bankers may use Lok Adalat's and debt recovery tribunals. Banks these days are highly resorting to SARFAESI act for the management of NPA.
- Checking the background of the customer whether he can pay loans or not. Banks should not give loans to the customers by keeping profitability in mind.
- Banks should maintain proper communication with the customer regarding the payments.

Conclusion:

Non-performing assets is always a big problem in the banks as they affect profits. NPAs not only affects the banks but also affects the economy. The money locked up in NPAs has a direct impact on profitability of the bank as Indian banks are highly dependent on income from interest on funds lent. To manage NPAs banks maintains provision for bad and doubtful debts which shows in balance sheet. This study shows that extent of NPA is comparatively very high in State bank of India. It is not at all possible to eliminate NPAs in banks, but to some extent they can be decreased. While comparing the NPAs in State bank of India which is public sector bank and AXIS bank which is private sector bank it was seen that in both the banks NPAs has decreased during the 5 years but in AXIS bank Net NPAs were too low than State bank of India. Net NPAs is actual loss incurred by the banks, the actual loss incurred by AXIS bank is too low than state bank of India. So, AXIS bank is better when it comes to managing NPAs. Both the banks must follow some policies while lending the funds.

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Money control State bank of India

Money control AXIS bank