

## A Comparative Analysis of NPA between SBI and ICICI Bank

Dr Irfan Ahmad<sup>1</sup>, Nisha Khan<sup>2</sup>

<sup>1</sup> (Associate Professor, Department of Commerce, A.M.U, India)

<sup>2</sup> (Research Scholar, Department of Commerce, A.M.U, India)

Corresponding Author: Dr Irfan Ahmad

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**Abstract:** As banking sector is the prominent sector of Indian economy and plays an important role for developing economy by providing loan and advances to different sectors. In India both of the public and private sector banks provides loan to agricultural, industrial, service sector and among those SBI is top most public sector banks whereas ICICI Bank is top most private sector bank deals with all banking function. But today's Indian banking sector faces a serious hurdle in their growth i.e. an increasing trend of Non Performing Assets (NPA). So, the main aim of the study is to find out the trend of Gross and Net NPA between SBI and ICICI Bank along with finding out is there is any significant difference between SBI and ICICI Bank with respect to their NPA. Independent Sample t-test has been used for the analysis during the period of study form 2009 to 2018. Based on analysis it has been found that both banks NPA shows an overall increasing trend and significantly differ with respect to Gross NPA ratio and not statistically differ in case of Net NPA ratio.

**Keyword:** NPA; SBI; ICICI Bank; Independent Sample t- test.

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### I. Introduction

For any flourishing economy there must be a strong banking system. India is one of the developing economies which need to have well-built banking sector but their progress has been affected by tremendous growth of Non Performing Assets (NPA). RBI gives a proper definition for NPAs and as per RBI Master Circular No DBR. No. BP. BC.2/21.04.048/2015-16 dated July 1, 2015, paragraph 2.1.1 NPA is defined as "An assets, including a leased assets becomes non-performing when it ceases to generate income for the banks". NPA have an important impact on the financial performance of each banking sector whether it was public sector banks or private sector banks as it decline the profitability of banks as banks are required to maintain high provision for NPA, it creates assets and liability mismatch, it also affects the liquidity and solvency position of banks. As there are different internal and external factors responsible for their occurrence some of them are Diversion of funds, failure of business, willful defaulters, improper selection of borrowers, defective lending policies, lack of proper appraisal and follow up, recession in market, mismatch of funds, and failure to recognize EWS among them one of the important factor is ineffective recovery process (Sagar,2016; Rathi and Kalani, 2015; Panery, 2014; Goel and Rekhi, 2013; Mohani and Deshmukh,2013). Mostly the public sector banks NPA increases at high rate as compared to private sector banks because of direct lending to priority sectors but recently the NPA in private sector banks also increases at high rate. So, the main aim of the study is to access the trend of NPA in top most public and private sector banks in India.

### II. Review of Literature

Aggarwal and Malik (2016) studied the trend of NPA among top three public and private sector banks in India along with its impact on banking sector growth. It was found that SBI recorded high level of NPA among public sector banks and among private sector banks ICICI Bank stood at first position. Ahamed and Panwar (2016) analyzed the trend and magnitude of NPA among three public and private sector banks in India and found that canara bank and ICICI bank recorded high growth of NPA during the period of 2012-2016. It also highlights the various reasons for the happening of NPA among banks and also suggests some remedial measures for dealing with the high level of NPA. Choudhary and Bhatnagar (2014) make a comparative study of HDFC Bank and PNB with respect to the trend and level of NPA from 2010 to 2013 and found that NPA of HDCE bank is consistent during the period of study and profitability goes on increasing but NPA of PNB shows an overall increasing trend and thereby their profitability declines. Chaudhary and Sharma (2011) compare the public sector and private sector banks efficiency in managing their high rate of NPA and found that private banks pay more attention on managing their NPA level where as public sector banks make different strategies for managing NPA but fail to deal with it. Garg (2016) studied the coefficient of variation among public and private sector banks in India and found SBI is more stable in nature as compared to private sector banks whereas

HDFC Bank efficiently manages their level of NPAs in comparison to public sector banks. Overall the magnitude of NPA is high in public sector banks in contrast with private sector banks in India. Joseph and Prakash (2014) identified the trend of NPA in public and private sector banks with respect to their assets classification, composition of NPA in priority and non priority sectors along with the factors responsible for their occurrence. It has been found that in public sector banks the composition of NPA is high as its substandard assets goes on increasing along with the gross NPA and therefore need some active measures to reduce them. Parmar (2014) make a comparative study of SBI and ICICI Bank with respect to total advances, net profit, gross NPA, and net NPA. It also examined the relationship between net profit and net NPA and found that SBI had a positive relationship between them whereas ICICI bank net NPA has negative relationship with its net profit. Overall there was mismanagement of NPA in SBI in comparison to ICICI Bank. Sailaja and Madhavi (2016) find out the trend of gross NPA and net NPA on both advance and total assets of selected public and private sector banks and found that ICICI Bank has high gross NPA and net NPA ratio calculated on both advance and total assets but overall the advances of the banks increases meaning thereby the risky assets declines. Shah and Sharma (2016) compared the level of NPA among two top private sector banks in India i.e. ICICI Bank and HDFC Bank and concluded that magnitude of NPA is high in ICICI Bank in comparison to HDFC Bank but both banks need to be concentrated more for diminishing their level of NPA and authors suggested that there should be a special committee consisting knowledgeable person for the management of NPA.

### Objectives of the Study

1. To analyze the trend of Gross NPA to gross advance and Net NPA to net advance ratio of SBI and ICICI Bank in India.
2. To identify is there is any statistically significant difference in Gross NPA to gross advance and Net NPA to net advance ratio of SBI and ICICI Bank.

### Hypothesis of the Study

1.  $H_01$ : There is no significant difference between gross NPA to gross advance ratio of SBI and ICICI Bank
2.  $H_02$ : There is no significant difference between net NPA to net advance ratio of SBI and ICICI Bank

### Research Methodology

**Table no 1:** Shows Research Methodology used.

1. Population	State Bank of India (SBI) ICICI Bank
2. Research Design	Descriptive and Analytical
3. Data Collection	Secondary Sources: Annual Reports, Research Paper and Articles
4. Data Analysis	Independent Sample t-test using SPSS version 20
5. Time Period	2009 to 2018

**Source:** Prepared by the researcher.

### Analysis and Interpretation

The analysis part has been divided into three sections. First section deals with analyzing the trend of gross NPA and net NPA against of SBI and ICICI Bank, Second section provide the result of normality before conducting Independent Sample t-test and third section provides the group statistics and result of Independent Sample t-test.

### Section I

**Table no 2:** Shows Gross NPA to Gross Advance Ratio and Net NPA to Net Advance Ratio of SBI and ICICI Bank

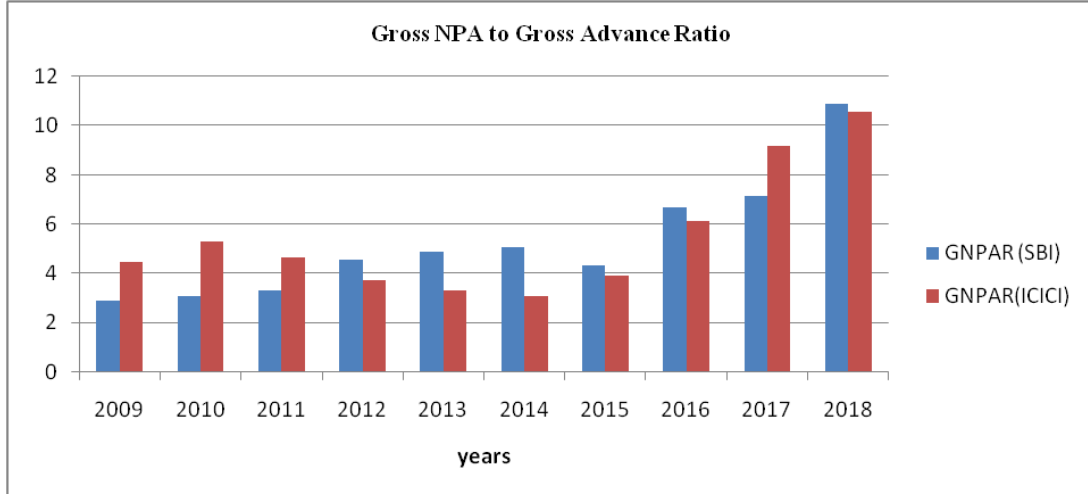
Years	SBI		ICICI BANK	
	GNPAR (%)	NNPAR (%)	GNPAR (%)	NNPAR (%)
2009	2.89	1.79	4.49	2.15
2010	3.09	1.73	5.31	2.20
2011	3.34	1.65	4.68	1.15
2012	4.57	1.85	3.76	0.75
2013	4.89	2.12	3.32	0.77
2014	5.09	2.60	3.11	0.98
2015	4.36	2.15	3.93	1.64
2016	6.70	3.88	6.14	3.11
2017	7.15	3.78	9.17	5.66
2018	10.91	5.73	10.55	5.59
Mean	5.30	2.73	5.45	2.40
Std. Dev	2.43	1.33	2.52	1.85
CAGR (%)	14.21	12.34	8.92	10.03

**Note:** GNPAR= Gross NPA to Gross Advance Ratio, NNPAR= Net NPA to Net Advance Ratio.

**Sources:** Compiled by the researcher from Annual Reports of SBI and ICICI Bank from 2009 to 2018.

Table no 2 shows the gross NPA to gross advance ratio and net NPA to net advance ratio of SBI and ICICI Bank. The gross NPA ratio of both banks portrays an overall increasing trend the gross NPA ratio of SBI which was 2.89% in 2009 increased upto 10.91% in 2018 i.e. by 8.02% whereas the gross NPA ratio of ICICI bank is 4.49% in 2009 after that increases and in 2018 it become 10.55% i.e. increased by 6.06%. Similarly the net NPA ratio of rises at high rate in SBI as compared to ICICI Bank as it CARG is more than ICICI Bank CAGR i.e. 12.34%. The net NPA to total advance ratio of SBI increased by 3.94% and of ICICI Bank it increased by 3.44% meaning thereby both the public and private sector banks NPA increases at high rate despite of its market size. The mean of SBI gross NPA ratio and net NPA ratio stood at 5.30% and 2.73% where as the mean of ICICI bank for both ratios are 5.45% and 2.40%.

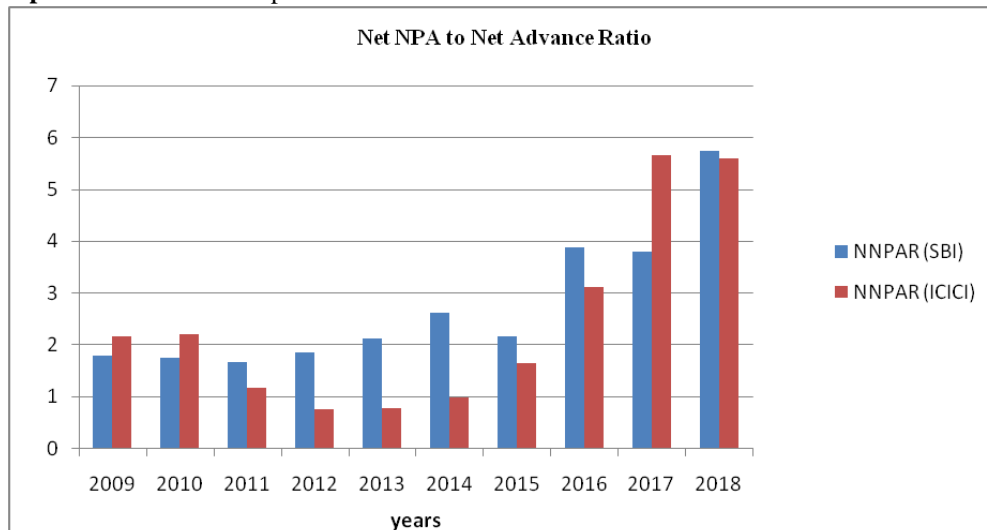
**Graph no 1:** Shows a comparative chart of Gross NPA to gross advance ratio of SBI and ICICI Bank



**Source:** Prepared by the researcher using MS-Excel based on table no 2

Graph no 1 depicts the comparison of gross NPA to gross advance ratio between SBI and ICICI Bank. It has been found that both banks ratio increases during the period of study but for some years i.e. 2009, 2010, 2011, and 2017 the gross NPA ratio is high in ICICI Bank as compared to SBI. The SBI shows high overall increasing growth during the study period. In the highest value has been recognized in the year of 2018 for both banks.

**Graph no 2:** Shows a comparative chart of Net NPA to net advance ratio of SBI and ICICI Bank



**Source:** Prepared by the researcher using MS-Excel based on table no 2

Graph no 2 reveals the trend of net NPA to net advance ratio of SBI and ICICI Bank in India during the period of last ten years. It was found that the net NPA to net advance ratio of SBI is higher than ICICI Bank most of the years except in 2009, 2010, and 2017. The highest value of the ratio has been recorded in 2018 for

SBI and in 2017 in case of ICICI Bank meaning thereby both banks are required to take efficient measure for reducing their level of NPA.

**Section II**

Before conducting the Independent Sample t-test the normality of the variables has been checked by Shapiro-Wilk Normality test under the null hypothesis that variables are normally distributed.

**Table no 3:** Shows the Shapiro-wilk Normality statistics of SBI

variables	statistics	df	sig
GNPAR	.862	10	.080
NNPAR	.797	10	.013
log NNPAR	.866	10	.091

*Note:* GNPAR= Gross NPA to Gross Advance Ratio, NNPAR= Net NPA to Net Advance Ratio.

*Source:* Generated by researcher using SPSS 20

Table no 3 provides the result of Shapiro-Wilk Normality test for SBI. It has been found that among two variables GNPAR is normally distributed as its sig value is .08 which is more .05 thereby accepting the null hypothesis but the significant value of NNPAR stood at .013 which is less than .05 thereby rejecting the null hypothesis and it is not normally distributed and for making it normally distributed log transformation has been conducting using SPSS. After log transformation its significant value become .09 that is more than .05 and null hypothesis has been accepted. Transformed data of NNPAR i.e. Log NNPAR has been used for further analysis.

**Table no 4:** Shows the Shapiro-wilk Normality statistics of ICICI Bank

Variables	Statistics	df	Sig
GNPAR	.830	10	.033
NNPAR	.811	10	.020
Log GNPAR	.915	10	.313
Log NNPAR	.920	10	.357

*Note:* GNPAR= Gross NPA to Gross Advance Ratio, NNPAR= Net NPA to Net Advance Ratio.

*Source:* Generated by researcher using SPSS 20

Table no 4 the result of Shapiro-Wilk Normality test for ICICI Bank. It has been found that both the variables i.e. GNPAR and NNPAR are not normally distributed as their significant value is less than .05 i.e. .03 and .02 by which null hypothesis has been rejected. For making it distributed normally log transformation has been performed and after that both of the variables significant value is more than .05 i.e. .31 for Log GNPAR and .35 for Log NNPAR thereby accepting the null hypothesis i.e. variables are normally distributed. Transformed data of both variables i.e. Log GNPAR and Log NNPAR has been used for further analysis.

**Section III**

**Table no 5:** Shows the Group Statistics of SBI and ICICI Bank

Groups	N	Mean	Std.Dev	Std. Error Mean
GNPAR	SBI	5.2990	2.42709	.76751
	ICICI Bank	10	.7005	.17844
NNPAR	SBI	10	.3974	.18391
	ICICI Bank	10	.2696	.32445

*Note:* GNPAR= Gross NPA to Gross Advance Ratio, NNPAR= Net NPA to Net Advance Ratio.

*Source:* Generated by researcher using SPSS 20

Table no 5 shows the group statistics of GNPAR and NNPAR after checking normality assumptions of variables for SBI and ICICI Bank. It has been found that the mean value of SBI is more than the mean value of ICICI Bank for both GNPAR and NNPAR. The mean value of SBI is 5.299 and .3974 which is much high as compared to mean value of ICICI Bank i.e. .7005 and .2696. The standard deviation of SBI shows less deviation from its mean value which is 2.4270 for GNPAR and .1839 for NNPAR. But in case of ICICI Bank GNPAR show less deviation from its mean value i.e. .1784 and more deviation from its mean value has been recognized for NNPAR i.e. .3244. The standard error mean of SBI for GNPAR is .7675 and for NNPAR is .0581 whereas for ICICI Bank it stood at .0564 for GNPAR and .1026 for NNPAR.

**Table no 6:** Shows the Result of Independent Sample t-test

	Levene'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
<b>GNPAR (H01)</b> <i>Equal Variance not Assumed</i>	11.069	.004	5.975	9.097	.000	4.59851	.76959	2.86042	6.33661
<b>NNPAR (H02)</b> <i>Equal Variance Assumed</i>	3.540	.076	1.083	18	.293	.12776	.11794	-.12002	.37554

**Note:** GNPAR= Gross NPA to Gross Advance Ratio, NNPAR= Net NPA to Net Advance Ratio.

**Source:** Generated by researcher using SPSS 20

**H<sub>01</sub>: There is no significant difference between gross NPA to gross advance ratio of SBI and ICICI Bank**

Row 1 of table no 6 reveals the result of Independent Sample t-test for GNPAR between SBI and ICICI Bank. The sig value of levene's test is .004 which is less than .05 implied that null hypothesis of equality of variance is rejected and thereby equal variance is not assumed. The t-value= 5.975 with df= 9.097 having significant value of .000 (2-tailed) which is less than .05 at 95% level of confidence. Hence, the null hypothesis stating that there is no significant difference between gross NPA to gross advance ratio of SBI and ICICI Bank has been rejected.

**H<sub>02</sub>: There is no significant difference between net NPA to net advance ratio of SBI and ICICI Bank**

Row 2 of table no 6 reveals the result of Independent Sample t-test for NNPAR between SBI and ICICI Bank. The sig value of levene's test is .076 which is more than .05 implied that null hypothesis of equality of variance is accepted and thereby equal variance is assumed. The t-value= 1.083 with df= 18 having significant value of .293 (2-tailed) which is more than .05 at 95% level of confidence. Hence, the null hypothesis stating that there is no significant difference between net NPA to net advance ratio of SBI and ICICI Bank has been accepted.

**III. Conclusion**

In the present study it has been observed that during the period of study both banks gross NPA and net NPA to total advance ratio shows an overall increasing trend but during the last two years the magnitude of NPA is high as compared to the previous years and in 2017 net NPA to total advance ratio of ICICI Bank is high as compared to SBI which means recently private sector banks NPA has also increases with high magnitude and lead to deterioration in their assets quality. Through analysis it has been found that among SBI and ICICI Bank there is a significant difference between SBI and ICICI Bank with respect to gross NPA to total advance ratio but there is no significant difference of net NPA to total advance ratio between both the banks. It has been concluded that both SBI and ICICI bank NPA increases at high rate and the composition of NPA in SBI is high in priority sector but in ICICI bank more NPA is concentrated in service sector. So, NPA is becoming a serious issue which hampers the growth and success of overall banking sector in Indian economy the study suggested that both banks must follows proper lending policies for tackling with this serious problem.

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