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# PERFORMANCE ANALYSIS OF PRIVATE SECTOR AND PUBLICSECTOR BANKS WITH REFERENCE TO ICICI BANK AND STATE BANK OF INDIA

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## ABSTRACT

*NPAs point out the credit risk of the banks and the financial institutions. Lately, the Indian economy has witnessed the emergence of many banks in the private sector. There are several reasons behind the increasing number of commercialization of banks. The growth of such banks is not possible unless they witness some success in the context of customer satisfaction or may it be the net assets held by these banks, the efficiency of their management or the networks of each bank both in private as well as the public sector bank.NPA means an asset or account of borrower, which has been classified by a bank or financial institution as sub-standard, doubtful or loss asset, in accordance with the directions or guidelines issued by RBI. In this paper the researcher try to find out the performance comparison of private sector banks and the public sector banks and to give the reasons and suggestions for the same it also tried to show the position of gross and net NPAs of both the public and private sector bank, during the period of last 4 years from 2014-15 to 2017-18. The study is an attempt to analyze the financial performance of SBI and ICICI Banks. The study is descriptive and analytical in nature. The collected data was secondary in nature and collected from various annual reports of the bank, RBI bulletin, journals, websites, etc. The allegory of the financial performance of these four banks was made on the seat of a statistical & mathematical tool like percentage, tabulation, Graph, mean, standard deviation, correlation, T-test, etc. The study concludes that the level of NPA ofSBI is high as compare to ICICI.*

***KEYWORDS:*** *Gross NPA, Net NPA, SBI, ICICI*

## INTRODUCTION

The word of Bank is derived from the French word “Bancus” or Banque” i.e., a bench. The modern banking system commences with the opening of the Bank of England in 1694. Bank of Hindustan was the first bank to establish in the year 1770 in India. The earliest institutions that undertook banking business under the British regime were agency houses which carried on banking business in addition to their trading activities. Most of these agency houses were closed down during the period of 1929-32. Three Presidency banks respectively at Calcutta, Bombay, and Madras. These were later merged into the Imperial Bank of India in 1919 following a banking crisis. The Indian banking system is dominated by nationalized banks. The main objective of nationalization was to ensure big banking as against class banking with banking infrastructure aimed at hilly tracts and terrains of the country. Before 1969, State Bank of India was the only public sector bank in India. The indian banking sector has changed staggeringly over the last few years. With the visitation of the LPG (Liberalization, Privatization & Globalization) era in 1991, the Indian banking industry experienced assorted and quick changes.Now a days, the banks are becoming much more competitive in all terms to have a global presence. Due to such Indian banking sector has been siding so many serious issues regarding the increasing level of Non- Performing Assets (NPAs). A high-level of NPA affects the profitability and net-worth of the banks adversely, thereby abrade the value of the assets. According to RBI, Non-Performing Asset indicates an asset of the borrower, which has been classified by a financial institution as sub-standard, loss or doubtful asset, with respect to the guidelines relating to asset classification the issue of NPAs isn't just prevailed the bank but also the unified economy. The NPA size on banking sector is comparatively higher in public sectors banks. To sustain the profitability and efficiency of banks the NPA must to be controlled and reduced.

**Meaning & Definition of Bank**

Banking in India had originated in the 18th century with The General Bank of India coming into existence in 1786. All types of banks in India are regulated and the activities are monitored by a standard bank called the Reserve Bank of India (RBI) that stands at the apex of banking structure. It is also called the Central Bank, as the major banking decisions are taken by RBI. All the government-owned banks are Public Sector Banks. Besides the RBI, the State Bank of India and its associate banks and about 20 nationalized banks, all comprise of the Public sector banks. Section 5(1)(b) of Banking Regulation Act defines banking as ‘ the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise and withdrawal by cheque, draft, order or otherwise’. The banking system reflects the economic health of the country. The strength of the economy of any country basically hinges on the strength and efficiency of the financial system, which in turn, depends on a sound and solvent banking system. A sound banking system efficiently deploysmobilized saving in productive sectors and a solvent banking system ensures that the bank is capable of meeting its obligation to the depositors. The banking sector is dominant in India as it accounts for more than half of the assets of the financial sector.

“Bank is an institution that deals in money and its substitutes and provides other financial services. Banks accept deposits and make loan and derive a profit from the difference in the interest rate paid and charge, respectively some banks also have the power to create money”**-Encyclopedia Britannica**

“Bank means a bench or table for changing money”- **Greek History**

“Bank as institutions which collects money from those who it to spare or who are saving it out of their income and lends out to those who required it” - **Prof. Crowthers**

“A Bankers is one who is the ordinary course of his business honors drawn upon him by a person from and for whom he receives money on current account” **- Dr. H. L. Hert**

“A Banker is a Person who is willing to make a loan if you present sufficient evidence to show you don’t need it.” - **Herbert V. Prochnow**

“Banks is an institution whose debts (bank deposits) are universally acceptable for the debts of other individuals”. - **According to Sayers**

**State Bank of India**

**Origin of SBI**

The roots of the State Bank of India lie in the first decade of the 19th century, when the Bank of Calcutta, later named the Bank of Bengal, was established on 2 June 1806. The Bank of Bengal was one of three Presidency banks, the other two being the Bank of Bombay (incorporated on 15 April 1840) and the Bank of Madras (incorporated on 1 July 1843). All three Presidency banks were incorporated as joint stock companies and were the royal charters. These three banks received the exclusive right to issue paper currency till 1861 when, with the Paper Currency Act, the right was taken over by the Government of India. The Presidency banks amalgamated on 27 January 1921, and the re-organized banking entity took as its name Imperial Bank of India. State Bank of India (SBI) is a multinational banking and financial services company based in India. It is a government-owned corporation with its headquarters in Mumbai, Maharashtra. As of December 2013, it had assets of US$388 billion and 17,000 branches, including 190 foreign offices, making it the largest banking and financial services company in India by assets. The bank traces its ancestry to British India, through the Imperial Bank of India, to the founding, in 1806, of the Bank of Calcutta. On October 7, 2013, Arundhati Bhattacharya became the first woman to be appointed Chairperson of the bank.

**ICICI Bank**

**Origin of ICICI**

ICICI Bank was established by the Industrial Credit and Investment Corporation of India (ICICI), an Indian financial institution, as a wholly owned subsidiary in 1994. The parent company was formed in 1955 as a jointventure of the World Bank, India's public-sector banks and public-sector insurance companies to provide project financing to Indian industry. The bank was initially known as the Industrial Credit and Investment Corporation of India Bank before it changed its name to the abbreviated ICICI Bank. The parent company was later merged with the bank. ICICI Bank launched internet banking operations in 1998. ICICI's shareholding in ICICI Bank was reduced to 46 percent, through a public offering of shares in India in 1998, followed by an equity offering in the form of American Depositary Receipts on the NYSE in 2000. ICICI Bank acquired the Bank of Madura Limited in an all-stock deal in

2001 and sold additional stakes to institutional investors during 2001-02. In October 2001, the Boards of Directors of ICICI and ICICI Bank approved the merger of ICICI and two of its wholly-owned retail finance subsidiaries, ICICI Personal Financial Services Limited, and ICICI Capital Services Limited, with ICICI Bank. The merger was approved by shareholders of ICICI and ICICI Bank in January 2002, by the High Court of Gujarat at Ahmedabad in March 2002 and by the High Court of Judicature at Mumbai.

**Meaning of Non Performance Asset**

An account is declared as NPA based on the recovery of installments and interest on loans and advanced and other aspects as per RBI norms. The updated norms to declare the account as NPA are as follows as per RBI guidelines:

An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank

A non-performing asset is a loan or an advance where;

- Interest and or installment of principal remain overdue for a period of more than 90 days in respect of a term loan

- The account remains ‘out of order’ in respect of an overdraft/cash credit (OD/CC), if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit / drawing power, but there are no credits continuously for 90 days as on the date of Balance sheet or credits are not enough to cover the interest debited during the same period, these accounts should be treated as ‘out of order’
- The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.
- The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops.
- The Installment of principal or interest thereon remains overdue for one crop season for long duration crops.
- The amount of liquidity facility remains outstanding for more than 90 days, in respect of securitization transaction undertaken in terms of guidelines on securitization dated February 1, 2006. (vii) In respect of derivate transactions, the overdue receivables representing positive mark-to-market value of the derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

**Type of NPAs**

**There are Two Types of NPAs which are as under**

**What is Gross Non-Performing Assets?**

Gross non-performing assets is a term used by financial institutions to refer to the sum of all the unpaid loans which are classified as non-performing loans. As per RBI guidelines as on balance sheet date. Gross NPA reflects the quality of the loan made by the bank. It consists of all the non-standard asset like as sub-standard, doubtful, and loss asset. Credit institutions offer loans to their customers who fail to be honored and within ninety days, financial institutions are obligated to classify them as non-performing assets because they are not receiving either principle or net payments.

**Gross NPAs Ratio = Gross NPAs**

**Gross Advances**

**What is Net Non-Performing Assets?**

Net non-performing assets are a term used by credit institutions to refer to the sum of the non-performing loans less provision for bad and doubtful debts. Credit institutions tend to provide a precautionary amount to cover unpaid debts. In short, net non-performing assets are the amount that is realized after the provision amount has been deducted from the gross non-performing assets.

**Net NPAs = Gross NPAs – Provisions**

**Gross Advances - Provisions**

**Classification of NPAs**

**Standard Assets**

A standard asset is a performing asset. Standard assets generate continuous income and repayments as and when they fall due. Such assets carry a normal risk and are not NPA in the real sense. So, no special provisions are required for Standard Assets. Arrears of interest and the principal amount of loan does not exceed 90 days at the end of the financial year.

**Sub-Standard Assets**

All those assets (loans and advances) which are considered as non-performing for a period of less than or equal to 12 months are called Sub-Standard assets.

**Doubtful Assets**

All those assets which have remained in the sub-standard category for a period of more than 12 months are called Doubtful Assets.

**Loss Assets**

All those assets which cannot be recovered are called Loss Assets. Where loss has been identified by the bank or internal or external auditor or the RBI inspection but the amount has not been written off wholly.

**Reasons for NPAS in Banks**

An account does not become an NPA overnight. It gives signals sufficiently in advance that steps can be taken to prevent the slippage of the account into NPA category. An account becomes an NPA due to causes attributable to the borrower, the lender and for reasons beyond the control of both. An internal study conducted by the RBI shows that in the order of prominence, the following factors contribute to NPAs.

**Internal Factors**

- Diversion of funds for -Expansion/diversification/modernization.-Taking up new projects. Helping/promoting associate concerns.
- Time/cost overrun during the project implementation.
- Inefficient management.
- Strained labor relations.
- Inappropriate technology/technical problems.
- Product obsolescence, etc.
- Poor credit Appraisals, monitoring and follow up, improper SWOT analysis on the part of banks.

**External Factors**

- Recession.
- Input or power shortage.
- Price escalation.
- Exchange rate fluctuation.
- Accidents and natural calamities.
- Changes in government policy such as excise, import and export duties, pollution control order, etc.
- Willful defaulters have been there because they knew that legal recourse available to the lenders is time-consuming and slow.
- A sickness of the industry also leads to the gradual erosion of the liquidity and units start failing to honor its obligations for the loan payments. Heavy funds are locked up in these units.
- Political tool-Directed credit to SSI and Rural sectors has been there
- Manipulation by the debtors using political influence has been a cause for high industrial bad debts.

**Tools for Recovery of NPAs**

**Lok Adalat**

LOK Adalat is constituted under section 19 of the legal service authority Act, 1987. It is for the recovery of a small loan and speedy justice. It is a mechanism to settle matters relating to recovery of dues, out of court. These are convened by Debt Recovery Tribunals / Debt Recovery Appellate Tribunals. Lok Adalats have no judicial powers. It is a mutual forum for the bank and the borrower to meet and arrive at a mutual settlement. Once the settlement is signed by both the parties, the same is placed before the court. The court would then pass a suitable decrees / orders as per the terms of the settlement. Such decrees cannot be challenged in the next higher courts. According to the RBI guidelines issue in 2001, at present accounts in doubtful and loss category with outstanding above Rs. 5.00 lacs can be referred to this forum.

**Debt Recovery Tribunal (DRT)**

The debt recovery tribunal act was passed by the Indian parliament in 1993. The Government of India has constituted thirty-three Debts Recovery Tribunals and five Debts Recovery Appellate Tribunals across the country. With an object of the speedy recovery. Under the Recovery of Debts Due to Banks and Financial Institutions (RDDBFI) Act, 1993 banks approach the Debts Recovery Tribunal (DRT) whereas, under Securitization and Reconstruction of Financial Assets and Enforcement of Security Interests (SARFAESI) Act, 2002 borrowers, guarantors, and other any other person aggrieved by any action of the bank can approach the Debts Recovery Tribunal (DRT). Debts Recovery Tribunal is located across the country. Some cities have more than one Debts Recovery Tribunals.

**Sarfaesi Act, (2002)**

The full form of SARFAESI Act as we know is Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. The act provides three alternative methods for recovery of Non-performance assets, namely: - Securitization Asset, Reconstruction and Enforcement of security without the intervention of the court.,unless the security is invalid or fraudulent. However, if the asset in question is an unsecured asset, the bank would have to move the court to file a civil case against the defaulters. SARFAESI is effective only for secured loans. The Banks utilize this act as an effective tool for bad loans (NPA) recovery. It is possible where non-performing assets are backed by securities charged to the Bank by way of hypothecation or mortgage or assignment. According to the RBI guidelines Act recover NPA loans with outstanding about Rs 1.00 lac. NPA loan account where the amount is less than 20% of the principal and interest are not eligible to be dealt with under this Act.

**Asset Recovery Construction Industry Limited (ARCIL)**

In India, the problem of recovery from NPAs was recognized in 1997 by the Government of India. The Narasimhan Committee Report mentioned that an important aspect of the continuing reform process was to reduce the high level of NPAs as a means of banking sector reform. The word "asset reconstruction" in India were used in Narsimham committee. ARCIL help to envisaged for the setting up of a central Asset Reconstruction Fund with money contributed by the Central Government, which was to be used by banks to strand up their balance sheets to clean up their non-performing loans. ARCIL Is the first asset reconstruction company in the country to start the business of resolution of non-performing loans acquire from Indian bank and financial institution in India. It starts business consequent to the enactment of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. It also offers various outsourced business services. The company was incorporated in 2002 and is based in Mumbai, with additional offices in various state.

**Corporate Debt Restructuring(CDR)**

A CDR system was evolved, and detailed guideline was issued by RBI on August 23, 2001, for implementation by the bank. The revised guideline was issued on February 5, 2003. Corporate debt restructuring is the reorganization of a company's outstanding obligations, often achieved by reducing the burden of the debts on the company by decreasing the rates paid and increasing the time the company has to pay the obligation back.

**Method of CDR**

- Reassessment of credit facility
- Concession in payment
- Reduction in margin
- Waiver of part of the interest
- Converting the unserviced portions of interests into term loans
- Re-Phasement of recovery schedules

**Asset Management Company (AMC)**

An asset management company (AMC) / Investment management company is a company that invests its clients' pooled funds into securities that match declared financial objectives. Asset management companies provide investors with more diversification and investing options than they would have by themselves. AMCs manage mutual funds, hedge funds, and pension plans, and these companies earn income by charging service fees or commissions to their clients.

## REVIEW OF LITERATURE

The banking literature, the problem of non-performing assets has been revisited in several theoretical and empirical studies.

**Alagarsam & Ganapathy(2017)**

Conduct a study on"Performance Of Non-Performing On State Bank Of India".The present study is based on the secondary data and the researcher had applied various statistical and mathematical tool like graph and tabulation. The studyConclude thatthe growth rate in lending money is decreasing andthe gross NPA & Net NPA ratio are increasing year by year. The foreign bank is able to manage the NPAs of public sector banks and are need to observe the same from foreign bank and bank should get freefrom the intervening of government.

**Dixit (2016)**

Conduct a study on"Performance Analysis Of private Sector And public Sector Bank Reference To ICICI Bank And State Bank Of India".The present study is based on the secondary data and the researcher had applied various statistical and mathematical tool likeratio, trend analysis and tabulation. The study Conclude that SBI performance is not well because of the negative growth rate as compared to ICICI. But SBI has high absolute values as compare to ICICI bank. SBI has to be focus towards its area so that they can increase their efficiency, profitability, liquidity to get the positive results in the upcoming year. Whereas ICICI, the largest private sector bank has a positive growth rate with full efficiency and profitability in all aspects than SBI.

**Jaiswal & Jain (2016)**

Conduct a study on "A Comparative Study Of Financial Performance Of SBI And ICICI Bank In India".The present study is based on the secondary data and theresearcher had applied various statistical and mathematical tool like Ratio, graph, correlation, regression and tabulation. The study Conclude that SBI is financially sound as compare to the ICICI bank. Again which SBI has fewer bad debts as compare to ICICI the reason behind is that ICICI has advanced more to its customer as compared to SBI. The other reason is that SBI is public sector bank and ICICI is a private sector bank due to which it provides more advance to the customer to maintain its reputation in the market.

**Shah & Sharma (2016)**

Conduct a study on"A Comparative Study Of NPA IN ICICI Bank And HDFC Bank". The present study is based on the secondary data and the researcher had applied various statistical and mathematical tool like tabulation, percentage& graphical. Conclude that it is not possible to eliminate totally the NPA in the banking sector but can only be minimized. on the other hand, banker has to appoint those legal experts and has to take necessary action and follow up of advance to avoid NPA.

**Rao (2014)**

Mentioned in his study on the topic of "An Analysis On The Performance Of Private And Public Sector Banking System." The present study is based on the secondary data and the researcher had applyvarious statistical and mathematical toollike tabulation & graph. The study conclude that the performance of HDFC is better than the SBI and Overall analysis states that the financial performance of HDFC is better than SBI. From the analysis it was found that NPA's, Net profit margin, Net Interest margin & Return on equityis better than SBI but with regards to sharing value performance SBI share value is better in the marketas compared to HDFC.

## OBJECTIVE OF THE STUDY

**The Objective(s) of the Current Paper of Study are as Follows**

- To examine and compare the NPA trends of State Bank of India and ICICI for the past four years.
- To list the causes of the occurrence of NPA in both the banks.
- To compare the Total Advances, Net Profit, Gross NPA & Net NPA of State Bank of India and ICICI Bank.

## RESEARCH METHODOLOGY

**Area of Study**

The study is an exploratory and analytical in nature with a bid to explore the financial performance of SBI and ICICI. In this study, we primarily study the performance analysis of the NPAs of selected private and public sector banks.

**The Sampling Plan:-**

For this study, data canopy Profit and Loss A/C, Balance Sheets, Financial Highlights for a period of four years from 2014-2015 to 2017-2018 of SBI and ICICI.

**Source of Data Collection**

The data collected is primarily from secondary sources like annual reports of the companies, RBIbulletin, journals, websites, etc.

**Tools for Data Collection**

**The Data Required for the Study will be Collected from,**

- Annual reports of respective banks
- Journals and reports on trends
- Newspapers, magazines
- Progress of Banking of India
- Government publications

**Tools for Data Analysis:-**

For the analysis of collected secondary data following tools were used to know financial performance and business model of SBI and ICICI

- Graphs (like bar charts and trend line diagrams)
- Different comparative tables

**Limitation of the Study**

- The plenary data analysis is based on secondary data only. Any biasedness in secondary data will lead to evasive analysis.
- The data has been collected from one public sector banks and one private sector banks, which are the emblematic banks of their own sector.
- The compass of the study was curbed due to time and resources.

**Analysis and Interpretation**

In the below section, various parameters related to NPA are compared and analyzed. Firstly, the total advances, net profits, gross NPA and net NPAs have been compared for both the banks.

**Table 1**

| Year | Total Advance | | Net Profit | | Gross NPA | | Net NPA | |
|---|---|---|---|---|---|---|---|---|
| | SBI | ICICI | SBI | ICICI | SBI | ICICI | SBI | ICICI |
| 2014-2015 | 1,578,277 | 338,703 | 10,891 | 9,810 | 61,605 | 10,506 | 31,095 | 3,298 |
| 2015-2016 | 1,692,211 | 387,522 | 13,102 | 11,175 | 56,725 | 15,095 | 27,591 | 6,256 |
| 2016-2017 | 1,870,261 | 435,264 | 9,951 | 9,726 | 98,173 | 25,721 | 55,807 | 13,297 |
| 2017-2018 | 1,896,887 | 464,232 | 10,484 | 9,801 | 112,343 | 13,297 | 58,277 | |

## INTERPRETATION OF THE TABLE

The abovetable showing a comparison ofTotal advances with NET Profit, Gross NPA & Net NPA of SBI and ICICI Bank. In this table on one side total advances given by SBI and ICICI Bank and Net, Profits are increasing constantly from 2014-2015, which shows that the performance of the bank is well. But for SBI, Gross NPA & Net NPA is constantlyincreasing such that its gross NPA in 2014-2015has been 61,605 and in 2017-2018 it increased to 112,343. This shows that SBI‟s performance is declining due to mismanagement of the bank. ICICI bank shows similar trends as its gross and net NPAs are increasing as well since 2014. But, if we observe carefully and compare the parameters for both the banks with each other, we see that ICICI bank is performing much better as compared to SBI as in 2017-2018 net NPA for SBI is 58,277 and for ICICI bank it's mere 25,451. Similarly, for Gross NPA, SBI stands at 112,343 in 2017-2018 and at the same time, ICICI is at 13.297.

Secondly, the examination of the NPA trends for both the banks for the last 4 years has been done.

**Table 2**

| Year | Percentage of Gross NPA | |
|---|---|---|
| | SBI | ICICI |
| 2014-2015 | 2.57 | 0.97 |
| 2015-2016 | 2.12 | 1.61 |
| 2016-2017 | 3.81 | 2.67 |
| 2017-2018 | 3.71 | 4.89 |

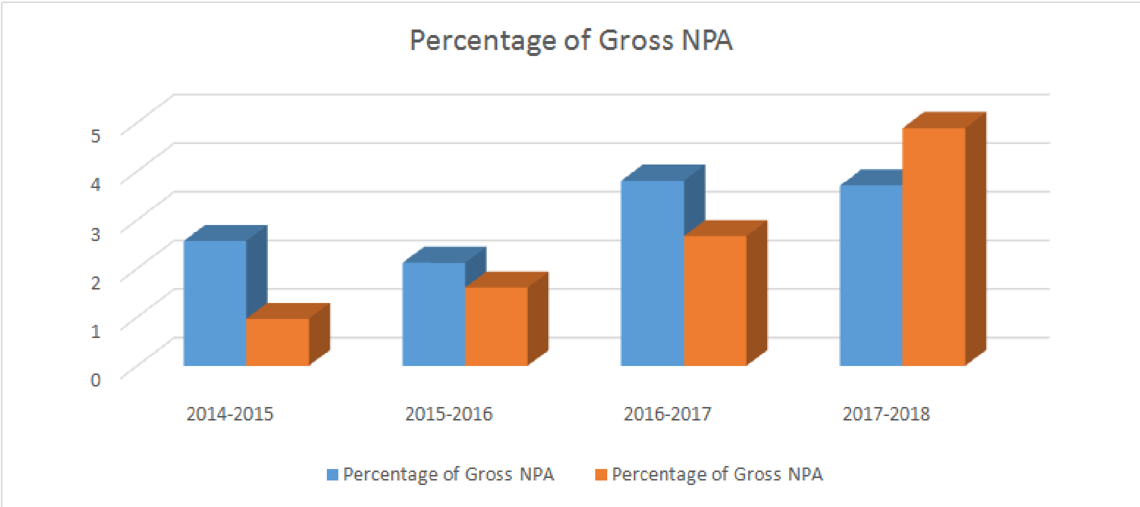


**Figure 1**

## INTERPRETATION OF THE TABLE

The above table compares the values of gross NPA for both the banks- SBI and ICICI bank. It is observed that for 3 consecutive years- 2014-2015, 2015-2016 and 2016-2017, the performance of ICICI bank is showing an upwards trend as compared to that of SBI. However, in 2017-2018, the gross NPA value of ICICI bank shot up to 4.98 whereas SBI improved from 3.71 in 2016-2017 to 3.81 in 2017-2018.

**Table 3**

| Year | Percentage of NET NPA | |
|---|---|---|
| | SBI | ICICI |
| 2014-2015 | 2.57 | 0.97 |
| 2015-2016 | 2.12 | 1.61 |
| 2016-2017 | 3.81 | 2.67 |
| 2017-2018 | 3.71 | 4.89 |

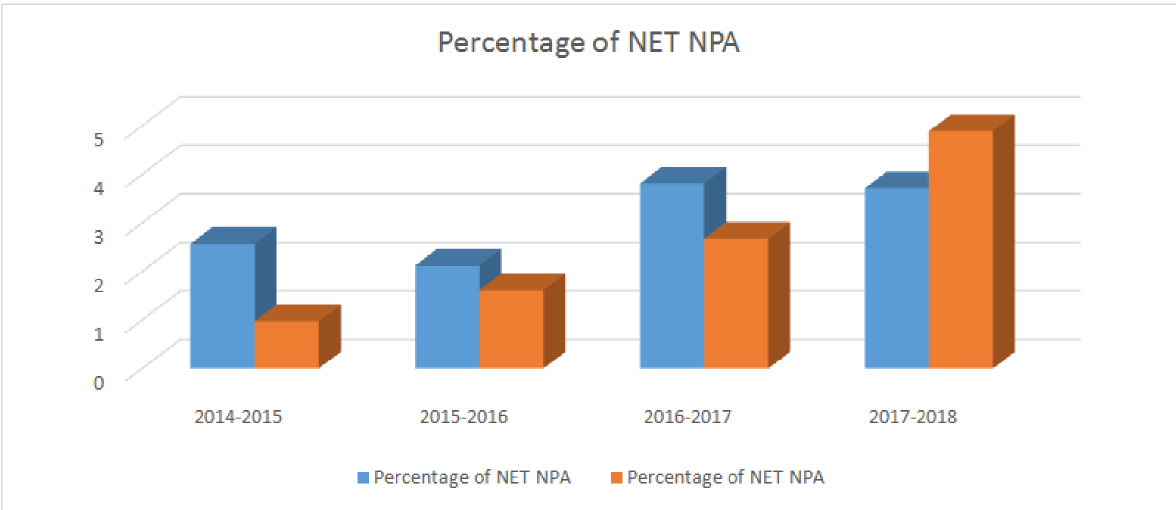


**Figure 2**

## INTERPRETATION OF THE TABLE

The above table compares the values of net NPA for both the banks- SBI and ICICI bank It is observed that for 3 consecutive years- 2014-2015, 2015-2016 and 2016-2017, the performance of ICICI bank is showing an upwards trend as compared to that of SBI. However, again in 2017-2018, the net NPA value of ICICI bank increased to 7.89, SBI is on 6.90. It is also seen that SBI has improved from 2016 to 2017-2018, it has managed to reduce its non- performing assets whereas the condition of ICICI bank has worsened.

Thirdly, we would analyze the relationship between Net profit and Net NPA in case of both the banks.

**Hypothesis**

**H0** - There is no linear relationship between Net Profit and Net NPA; ϱ = 0

**H1** - There is a linear relationship between Net Profit and Net NPA; ϱ ≠ 0 (For the current study, the testing of population correlation coefficient was used to either reject or do not reject the null hypothesis. 5 % sig level was used, i.e. α/2 = 0.25)

**State Bank of India**

**Table 4**

| Year | Net Profit | Net NPA |
|---|---|---|
| 2014-2015 | 10891 | 31095 |
| 2015-2016 | 13102 | 27591 |
| 2016-2017 | 9951 | 55807 |
| 2017-2018 | 10484 | 58277 |
| | Correlation coefficient = - 0.786 | |

**Table 5**

| Descriptive Statistics | | | |
|---|---|---|---|
| | **Mean** | **Std. Deviation** | **N** |
| **Net Profit** | 11107.0000 | 1384.57527 | 4 |
| **Net NPA** | 43192.5000 | 16087.51129 | 4 |

| Correlations | | | |
|---|---|---|---|
| | | **Net Profit** | **Net NPA** |
| **Net Profit** | Pearson Correlation | 1 | -.786 |
| | Sig. (2-tailed) | | .214 |
| | N | 4 | 4 |
| **Net NPA** | Pearson Correlation | -.786 | 1 |
| | Sig. (2-tailed) | .214 | |
| | N | 4 | 4 |

The correlation coefficient between net profit and net NPA is -0.786 indicating the negative relationship between the two i.e. a rise in the net NPA shall lead to a fall in the net profits. It shows there is a high negative correlation between the variables. In order to check if this result is significant, we test the hypothesis stated above using a t-test. The test statistic is given by T.S. - r n−2 1−r2∼tn-2 The test statistic so calculated came out to be 1.798 which lies in the acceptance region as the critical value for the 2 tailed t-test was 4.303. Hence there is no need to reject the null hypothesis. Hence it is said that the correlation coefficient is not significant and there is no significant linear relationship between the net profit and net NPA.

**ICICI Bank**

**Table 6**

| Year | Net Profit | Net NPA |
|---|---|---|
| 2014-2015 | 9810 | 3298 |
| 2015-2016 | 11175 | 6256 |
| 2016-2017 | 9726 | 13297 |
| 2017-2018 | 9801 | 25451 |
| | **Correlation Coefficient = -0.39** | |

**Table 7**

| Descriptive Statistics | | | | |
|---|---|---|---|---|
| | | Mean | Std. Deviation | N |
| **Net Profit** | | 10125.7500 | 700.39293 | 4 |
| **Net NPA** | | 12075.5000 | 9854.05414 | 4 |
| **Correlations** | | | | |
| | | | **Net Profit** | **Net NPA** |
| **Net Profit** | Pearson Correlation | | 1 | -.391 |
| | Sig. (2-tailed) | | | .609 |
| | N | | 4 | 4 |
| **Net NPA** | Pearson Correlation | | -.391 | 1 |
| | Sig. (2-tailed) | | .609 | |
| | N | | 4 | 4 |

From the above table it was observed that the coefficient of correlation is equal to -0.39, it means that there is a moderate degree of negative correlation between net profit and net NPA. The negative correlation coefficient between net profit and net NPAs means an increase in net NPAs will decrease the net profit of the bank. It is a logical conclusion because the profitability of a bank depends upon the recovery of loans and the existence of bad loan will jeopardize it. But to check if this is a significant value and that if it applies to the population as well we test the hypothesis. The test statistic came out to be 0.598 which lies in the acceptance region as the critical value for the t-test is 4.303. Hence, it is said that there is no evidence to reject the null hypothesis. So it concludes that there is no significant linear relationship between net profits and net NPA for ICICI bank.

## FINDINGS & CONCLUSIONS

Non-Performing Assets have always been a coalition for the banking sector from the last two decades due to the economic slowdown. The bank's performance in terms of profitability and consent or growth has been resolute a lot due to the presence of Non- Performing Assets. The present study concludes that non- performing assets is the biggest challenge faced by both ICICI Bank and State Bank of India as it leads to downfall in liquidity balance of the banks and creates bad debts on them. On comparing the two banks based on the effect on its profitability, SBI has higher NPAs as compared to ICICI bank because SBI is public sector bank and is more responsible to give up on the returns of the loans extended to the general public.so this is the biggest reason for NPA in SBI and the other reason is the bad loan. On the other hand, the net

NPAs for ICICI Bank is continuously increasing since 2014-2015 but as compared to SBI they are in a much better condition. The profits of the ICICI bank also did not experience any sharp rise or fall. The correlation coefficient is -0.78 which renders a high degree of negative correlation. On the other hand, ICICI has a calm degree of correlation i.e. -0.39. Finally, ICICI is performing better than SBI as their GNPA &NNPA are quite lower. Hence, the level of NPA of SBI is eminent as alludes to ICICI.

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