

A COMPARATIVE STUDY OF LOAN PERFORMANCE, NPA AND NET PROFIT IN SELECTED INDIAN PRIVATE BANKS

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ABSTRACT

The paper studies the relationship between the banking industry and selected private banks in addition to this it also study the performance of loans, net profit and NPA. Last decade has witnessed many changes in the banking industry. In this paper we are trying to throw light on the effect of the loans and advances on the Indian Economy. Banks mainly make profit from the difference of interest received and loans paid. Nowadays banks are performing the number of functions in addition to its two main function lending and accepting deposits. Banks grant loans in order to satisfy the growing credit needs of the different sections of the society but since the private banks are profit making organization thus they have profit making dimension added to the advances granted by them. In this paper we have focused on the movement of NPA, Loans, and Net Profit of the private banking industry by analyzing the data from the year 2007 to 2011. Wherever the data for the years to the year 2007 could be taken have been taken for analysis.

KEYWORDS: NPA, Term Loans, Cash Credit, Overdraft, Bills Discounted, Net Profit.

INTRODUCTION

This paper studies with the Loan Performance, NPA and Net Profit of selected private banks. In the last decades various developments have been witnessed in the Private Banking Sector. Private Banks generally perform two main functions lending & accepting deposits. It facilitates business activities providing money and services that helps in exchange of goods. Lending is the most profitable because interest rates realized on loan is more than those realized on investment. Interest receive on loans are the main source of income for banks. Bankers deploy the residual funds to meet the administrative requirement, give salary to staff, build reserves and pay dividends to the shareholders and satisfy liquidity requirements. An examination of some of the important characteristics of loans provides us an insight into the lending activities of private banks.

NPA involves the necessity of provisions, an increase in which would bring down the overall profitability of banks and is the indicator of banking health in India. In this paper, an effort has been made to evaluate the operational performance of the selected Private bank in India.

REVIEW OF LITERATURE

With respect to the performances of private banking sector, foreign and national experts have undertaken a number of studies. Alejandro Micco, Ugo Panizza, Monica Yañez(2007), used a new dataset to reassess the relationship between bank ownership and bank performance, providing separate estimations for developing and industrial countries. Their study finds no strong correlation between ownership and performance for banks located in industrial countries. In order to test whether the differential in performance between public and private banks was driven by political considerations, the study checked whether the differential widened during the election years and found strong support for this hypothesis. John P. Bonin, Iftexhar Hasan' Paul Wachtel(2005), Used data from 1996 to 2000 to investigate the effects of ownership, especially by strategic foreign owners, on banks efficiency for eleven transition countries in an unbalanced panel consisting of 225 banks and 856 observations. They concluded that privatization by itself was not sufficient to increase bank efficiency as government-owned banks were not appreciably less efficient than domestic private banks. They also found that foreign-owned banks were more cost-efficient than other banks and they also provided better service, in particular if they had a strategic foreign owner. Giuliano Iannotta, Giacomo Nocera, Andrea Sironi (2007) compared the performance and risk of a sample of 181 large banks from 15 European countries over the 1999–2004 periods and evaluated the impact of alternative ownership models; together with the degree of ownership concentration, on profitability, cost efficiency and risk. Xiaochi Lin, Yi Zhang (2009) assessed the effect of bank ownership on performance. they specifically conducted a joint analysis of the static, selection, and dynamic effects of (domestic) private, foreign and state ownership. They found that the “Big Four” state-owned commercial bank were less profitable, less efficient, and had bad asset quality than other types of bank except for the “policy” bank. Omran (2007) analyzed both private and government banks' relative performances and also evaluates the bank privatization process in Egypt by comparing the pre- and post privatization, performances of privatized banks and reported that private banks outperformed government banks. Chowdhury and Islam (2007) stated that deposits and loan advances of Nationalized Commercial Banks (NCBs) were less sensitive to interest rate changes than those of Specialized Banks (SBs). So SBs should not make abrupt change in lending or deposit rates by following the NCBs. If NCBs change their lending or deposit rates, their deposits or loans and advances will be less affected than those of SBs. Moreover, deposits of NCBs have higher volume and higher volatility than those of SBs. On the other hand, loans advances of NCBs show a higher volume and higher volatility than those of SBs. However, SBs offer higher deposit rates and charge higher lending rates than NCBs. Hence the interest rate spread of SBs was higher than that of NCBs. Jahangir, Shill and Haque (2007) stated that the traditional measure of profitability through stockholder's equity was quite different in the banking industry from any other sector of business, where loan-to-deposit ratio worked as a very good indicator of banks' profitability as it depicts the status of asset-liability management of banks. But banks' risk is not only associated with this asset liability management but also related to growth opportunity. Smooth growth ensures higher future returns to holders and there lies the profitability which means not only current profits but future returns as well. So, market size and market concentration index along with return to equity and loan-to-deposit ratio grab the attention of analyzing the banks' profitability. Hossain and Bhuiyan (1990) stated that there is no universally accepted operational definition of performance measures. In broad sense performance level of an enterprise can be measured by the extent of its organizational effectiveness. In the context of services rendered towards public the performance of an organization can be viewed as ‘the extent to which its work is

carried out within established specifications for goods and services produced, to the general satisfaction of the clientele served, within given cost and time constraints, and in such a manner as to support or contribute to the achievement of the organization objectives. Prashanth K Reddy (2002) in his study focused on the comparative study of Non Performing Assets in India in the Global context - similarities and dissimilarities, remedial measures and concluded the importance of a sound understanding of the macroeconomic variables and systemic issues pertaining to banks and the economy for solving the NPA problem along with the criticality of a strong legal and legislative framework. Foreign experiences must be utilized along with a clear understanding of the local conditions to create a tailor made solution which is transparent and fair to all stakeholders.

OBJECTIVES OF THE STUDY

This study mainly focuses on the loan performance of the selected private banks and comparative analysis of the financial performance of various banks groups and the total private banks. The main objectives for the study were:

- To analyze the growth of lending in different private banks.
- To find the sources or causes that promoted or weakened the credit programme of private banks.
- To assess the operational efficiency performance of Private Sectors Banks.
- To suggest remedial measures based on the findings of the study.
- To evaluate the Correlation between the Loans, NPA and Net Profit to the total Private Banking Industry.

CONTRIBUTION OF THE STUDY

The study will be useful to all the stakeholders such as customers, debtors, banks and shareholders etc, as it would help in explaining various situations of the private banking industry, and suggest remedial measures in view of profit. It will also lay down some standards for private banking industry, and be useful for researchers.

SCOPE OF THE STUDY

For the present study, 10 banks have been considered. The period covered under the present study is 10years, beginning from 2001-07 to 2010-11. The banks taken in the study are Axis Bank, ICICI Bank, IDBI Bank, HDFC Bank, IndusInd Bank, Kotak Mahindra Bank, Yes Bank, South Indian Bank, ING Vysya Bank, CITI Union Bank. In cases wherever the data for years previous to the year 2007 could be taken , or the present data was not available , data pertaining to the year prior to 2007 have been taken to better analyse the trends .

METHODOLOGY OF THE STUDY

The data for the present study has been collected from the annual reports and accounts, which was obtained from the branch offices and related sites. All the data related to the study have

been rounded off to crore (rupees). The analysis has been done through trend analysis for interpreting the data. This has been done for the following:

- Financial performance of banks in term loans.
- Financial performance of banks in advances.
- Financial performance of banks related to advances in India and outside India.
- Evaluate the Correlation between the Total Private Banking Industry and Loans.NPA and Net Profit.

CHARACTERISTICS SPECIFIC TO PRIVATE BANKING SECTOR

Private Banks have played an important role in the economic development. The bank loans in India are provided to trade and industry. The main features of Private Banks are:

- 1. ENCOURAGE SAVINGS:** Banks collect the small savings scattered in different parts of the country. These savings are used in trade and industries. Thus banks collect savings one hand and put them in productive uses from the other.
- 2. FINANCING OF TRADE AND INDUSTRY:** Banks provide finance to trade and industry. Modern trade and industry requires capital in huge quantum. Additional resources are raised from the public by banks and these resources are used for making loans and advances to industry and trade.
- 3. SECURITY OF LOANS:** Private Banks guarantee loans taken by industrial and business units from national and international sources. It helps industrial and business units in getting loans from these sources.
- 4. PERSONAL CREDIT:** Banks provide consumer loans to the customers on the basis of personal credit. These loans are provided to purchase consumer goods.
- 5. FINANCIAL ASSISTANCE:** Private Banks provides the financial assistance to new enterprises and through new innovations the economy gets a continuous momentum. Credit and financial facilities are provided by these institutions.

TABLE 1: LOAN PERFORMANCE OF INDIAN PRIVATE BANKS 2006-07 TO 2010-11(IN CRORE)

Banks	2007	Percentage	2011	Percentage
Axis Bank	36,876.46	9.25	142,407.83	17.12
ICICI	195,865.60	49.17	216,365.90	26.01
IDBI	62,470.82	15.6	157,098.07	18.88
HDFC	46,944.78	11.78	160,831.41	19.33
IndusInd Bank Ltd.	11,084.20	2.78	26,165.65	3.14
Kotak Mahindra Bank	15,573.44	3.9	41,241.95	4.95
Yes Bank	6,289.73	1.57	34,363.64	4.13
South Indian Bank	7,918.91	1.98	20,488.73	2.46
Ing Vysya Bank	11,976.17	3.006	23,602.13	2.83
CITI Union	3,329.23	0.83	9,255.46	1.11
TOTAL	398,329.34		831,820.77	
AVERAGE	39,832.93		83,182.08	

(Source: annual report of banks)

Table 1 shows the loan performance of Indian Private Banks during 2007 to 2011. At the end of the year 2007, the amounts of total loans of selected private banks were ₹ 398329.34 crore. However, after 5 years, it reached to ₹ 831820.77 crore in 2011. It increased by 108% in 5 years. It was a great achievement for these selected private banks. The overall achievement was an increased by 286.17% in case of Axis Bank, 10.46% of ICICI Bank, 151.47% for IDBI Bank, 242.55% for HDFC Bank, 136.06% of Indusland Bank, 164.8% for Kotak Mahindra Bank, 446.34% for YES Bank, 158.73% for South Indian Bank, 97% for ING Vysya Bank, 178.006% for CITI Union Bank. The total amount of loans granted increased by 108.8% in the period of 5 years. In some banks the amount of loans had increased but the overall performance was not good. People will not prefer loans from these banks because of high interest rates.

TYPES OF CREDIT/ LENDING SCHEMES OFFERED BY PRIVATE BANKS

Indian Private Banks finances the working capital requirements of their customers. The main credits of financing in our country are Term Loans, Cash Credit, Overdrafts, and Loans Repayable on demand, bills purchased and discounted.

- 1. CASH CREDIT:** It is the main source of lending by banks. Under this scheme bank advances loans for a given period on the security of shares, debentures and movable

and immovable properties. Generally, banks charges interest on the amount which has been withdrawn by the account holder. The main advantages of this facility are it encourages savings, allows easy payment and provides flexibility. The disadvantages are that it encourages speculation, creates monopolistic tendencies and create inflation pressure.

2. **OVERDRAFT:** When a bank allows its customers having current account to withdraw the amount more than the deposits in the account it is called Overdraft. The Overdrafts depends on the credit of the customers. Such facility is given for short term and emergency purposes. Banks requires security from the customer for such facility. Such facility is given on the current account only. The main advantage of overdrafts is that it provides flexibility and easy and quick arrangement of cash flows. The disadvantages are that it carries high cost and it need to be secured.
3. **TERM LOANS:** A Term Loan is a loan in which a borrower pays interest only for a set period. Term loans always mature between 1 to 10 years. The term loan is generally provided as working capital for acquiring income producing assets that generate the cash flows for repayment of the loan. They are the source of long term debt; they are generally obtained for financing large expansion, modernization. The advantages of term loans are that they are more flexible as compared to others; they usually have fixed interest rate. The disadvantages of term loans are that it carry repayment facility.
4. **BILLS PURCHASED AND DISCOUNTED:** It is also a method for borrowing from banks. Under this method bank provides credit against the dated bills of exchange before its maturity. Seller writes such bill and buyer accept it. The buyer promises to pay in the given period. Such bills are discounted by banks and a payment is made to the customers. If the buyer does not make the payment of the bill then the bank gets payment from the seller.

TABLE 2: FINANCIAL PERFORMANCE OF SELECTED PRIVATE BANKS IN TERM LOANS DURING 2007 TO 2011(IN CRORE)

Banks	2007	2008	2009	2010	2011
Axis Bank	25716.16	41009.12	57724.43	74877.32	103946.19
ICICI	151255.04	175579.44	169634.75	137573.95	169022.52
IDBI	54698.99	71337.54	88165.89	114859 .80	121340.4
HDFC	35795.49	46351.83	72574.83	95817.41	117942.32
IndusInd Bank Ltd.	7729.93	8639.31	9295.27	11878.06	16315.5
Kotak Mahindra Bank	14453.32	20139.47	19811.39	25430.22	34379.82
Yes Bank	4765.57	6860.13	9472.57	17422.69	27372.4

South Indian Bank	3899.81	4530.98	4839.88	5959.27	7041.52
Ing Vysya Bank	6247.04	7932.88	9281.56	12419.45	15013.75
CITI Union	1152.93	2375.62	2666.99	2860.12	3755.34
TOTAL	305714.28	343039.62	443467.56	384238.49	616129.76
COMBINED AVERAGE					418517.94

(Source: annual report of banks)

Table 2 shows the Loan Performance of Banks (taken for the study) from the period 2007 to 2011. The loan figures for Axis bank shows that the volume of term loan increased rapidly in every year of the study period. In 2008, it increased by 59.46% over the previous year. In the year 2009 the growth was 40.75%, 29.71% in 2010 and 38.82% in 2011. The total amount of term loans increased by 304.2% in relative terms over the 5 years of the study period.

In case of ICICI Bank, in 2008 the volume of loans increased by 16.08% over the previous year, it decreased to 3.38% over the previous year in 2009. Further it decreased by 18.89% over the previous year. In 2011 it was increased by 22.85%. In fact in 5 years, the amount of term loan increased by only 11.76% which shows that the bank had not performed well. In case of IDBI Bank, the portrayed data of the term loan indicate a rapid upward trend, from 2007 to 2011. In the year 2008 it increased by 30.41% over the previous year, 23.58% in 2009, increased by 30.27% over the previous year in 2010. In the year 2011 there was an increase of 5.64% over the previous year. The amount of term loans increased by 121.83% in relative terms over the 5 years of the study period. Thus, it can be concluded that the bank has got a good operational efficiency regarding the performance of term loans.

The loan figures for HDFC bank shows a rapid increase in each year of the study period. In 2008, there was an increase of 29.49% over the last year, an increase of 56.57% over 2008, 32.02% over 2009, in the year 2011 there was an increase of 23.09% over the 2010 which shows good expansion of business.

In case of Indusland Bank, the data of the term loan indicates a rapid upward trend, from 2007 to 2011. In the year 2008 there was an increase of 11.76%. Again in the 2009, the increase was 7.59%. 27.78 % in 2010, 37.35% over the 2011. In fact in 5 years, the amount of term loan increased by 111.06% in relative terms. Thus, it can be concluded that the bank had a good operational efficiency regarding the performance of term loans.

For Kotak Mahindra Bank, except for the year 2009, the loan performance shows a continuous increase in the 5 years of the study period. In 2008, there was an increase of 39.34% from the year 2008, decreased by 1.62% in 2009, again increased by 28.36% last year in 2010. In the year 2011, there was an increase of 35.19% i.e., an increase of 137.86% during the study period. The loan figures for Yes bank shows that the volume of term loan increased rapidly in each year of the study period. This growth was 38.08% over 2008. There was an increase of 83.92% in the last year in 2010 and 57.10% in 2011. In 5 years, term loan increased by 474.37% in relative terms over the 5 years of the study period. So, it can be concluded that the bank was operationally efficient during the study period.

In case of South Indian Bank, the amount increased by 16.18% in the year 2008 again in the 2009, the increase was 6.81% in the year 2010, the increase was 23.12 % and in 2011, the increase was 18.16% over the previous year. For Indusland Bank, the amount of term loan increased by 80.56% in relative terms over the 5 years of the study period.

The loan figures for ING Vysya Bank shows that the volume of term loan increased rapidly in every year of the study period. In 2008 it was of 26.98%, 17% in 2009, 33.80% in 2010. The amount of term loan increased by 140.33% in relative terms over the 5 years of the study period which shows good expansion of business.

The loan figures for CITI Union Bank shows that the volume of term loan increases rapidly in every year of the study period. In the first year of the study period, the amount of term loan increase by 106.05% over the last year. It was 12.26% in 2009, 7.24% over the last year in 2010. In the year 2011, there was an increase of 31.30% over the last year. In 5 years, the amount of term loan increased by 225.72% in relative terms.

TABLE 3: PERFORMANCE OF SELECTED PRIVATE BANKS IN CASH CREDIT, OVERDRAFTS AND LOANS REPAYABLE ON DEMAND DURING 2007 TO 2011(IN CRORE)

Banks	2007	2008	2009	2010	2011	AVERAGE
Axis Bank	9886.58	16443.24	21367.06	26013.56	34980.33	21738.15
ICICI	32864.21	34805.18	34394.55	25555.22	30212.37	31566.3
IDBI	5477.64	8232.08	12809.32	20267 .59	33098.49	14904.38
HDFC	10344.53	15437.69	21597.2	23983.85	33177.91	20908.23
Indusland Bank Ltd.	2952	3709.98	5089.48	6287.18	7554.3	5118.58
Kotak Mahindra Bank	869.3	1416.39	2252.31	3322.6	5759.5	2724.02
Yes Bank	1420.08	2444.76	2804.09	4270.88	6455.17	3478.99
South Indian Bank	3433.67	4782.5	5318.45	6804.88	10009.27	6069.75
Ing Vysya Bank	4954.9	5907.11	6639.22	5149.88	7975.11	6125.24
CITI Union	2075.48	2035.64	2815.09	3808.09	5315.57	3209.97
TOTAL	74278.39	95214.57	115086.77	105196.14	174538.02	11584.36
COMBINED AVERAGE						112862.8

(Source: annual report of banks)

Table 3 shows the details of the total Cash Credit, Overdraft and Loan Repayable on Demand of selected Private banks during the year 2007- 2011. In case of Axis bank, it shows a

continuous increase. In the 5 years of the study period, it increased by 253.8%. Axis bank increased its holding by 5.04% during the 5 years of the study.

For ICICI Bank, except for the 2009 & 2010, the data shows a continuous increase. In the 5 years of the study period, it decreased by 8.06%. So it can be said that ICICI bank decreased its holding by 27.7% during the 5 years of study.

IDBI Bank also shows an increasing trend during the study period. At the end of the year 2007, the figure increased by 504.24%. So, it could be said that IDBI bank increased its holding by 11% during the 5 years of the study among the selected banks for the study period.

In the case of HDFC Bank, during the 5 years of the study period, the overall it was increase by 220.72%. HDFC bank increased its holding by 5% during the 5 years of the study.

Indusland Bank also shows an upward trend. In the 5 years of the study period, the overall increase was 155.9%. Indusland bank increased its holding by 0.32% during the 5 years of the study.

In Kotak Mahindra Bank, in the 5 years of the study period, the overall increase was 562.54% and an increase in its holding by 2.12% during the 5 years of the study.

In the Yes Bank, in the 5 years of the study period, there was an increase of 354.56 %. So, it could also be said that among the selected banks, Yes bank increased its holding by 1.69% during the 5 years of the study.

South Indian Bank also shows an increasing trend. In 5 years of the study period, the overall performance increased by 191.5%. So, it could also be said that among the selected banks, South Indian bank increased its holding by 1.13% during the 5 years of the study.

In the case of Ing Vysya Bank, in 5 years of the study period, there was an overall increase of 60.95 %. The bank decreased its holding by 2.04% during the 5 years of the study.

In the case of CITI Union Bank, in 5 years of the study period, the overall increase was 156.11 %. The bank increased its holding by 1.3% during the 5 years of the study. The overall performance of the selected Private Banks was satisfactory and increased by 134.97% during the 5 years of the study period.

TABLE 4: PERFORMANCE OF SELECTED PRIVATE BANKS IN BILLS PURCHASED AND DISCOUNTED DURING 2007 TO 2011(IN CRORE)

Banks	2007	2008	2009	2010	2011	AVERAG E
Axis Bank	1273.71	2023.62	2465.26	3450.05	3481.29	2538.79
ICICI	4494.74	4676.31	4061.09	4453.15	5848.05	4706.66
IDBI	2294.18	2643.05	2453.12	3074 .44	2659.16	2512.37
HDFC	804.76	1637.38	4855.33	6361.47	9711.18	4674.02
IndusInd Bank Ltd.	404.25	446	1385.88	2385.33	2295.82	1383.45
Kotak Mahindra Bank	250.8	428.81	433.91	971.45	1102.62	637.51
Yes Bank	104.07	125.36	126.42	499.54	536.06	503.89
South Indian Bank	585.41	1140.26	1693.68	3058.76	3437.94	1983.21
Ing Vysya Bank	774.21	809.54	835.58	937.85	613.26	794.08
CITI Union	100.81	125.8	163.17	165.24	184.54	147.91
	11086.9 4	15184.1 3	18473.4 4	22282.8 4	29869.9 2	19881.89
COMBINED AVERAGE						1988.18

(Source: annual report of banks)

Table 4 shows the detail of Bills Purchased and Discounted for the selected Private Banks during the year 2007- 2011. In the case of Axis Bank, the overall increase was 273.31%. Axis Bank increased its holding by only 0.17% during the 5 years of the study. For ICICI Bank, except for 2010, the expressed data shows a continuous increase. There was an overall increase by 30.10%. ICICI bank decreased its holding by 20.93 % during the 5 years of the study. In case of IDBI Bank, there was an increase during the study period, except in the year 2009 and 2011. The bank decreased its holding by 11.7% during the 5 years of the study. In the case of HDFC Bank, the figure shows an increasing trend. In 5 years of the study period, there was an overall increase of 1106.71%. HDFC bank increased its holding by 25.31% during the 5 years of the study. So in the 5 years of the study period, the bank increased its holding ratio significantly. In the case of Indusland Bank, there was an overall increase of 467.92 % and the bank increased its holding by 4% during the 5 years of the study. In the case of Kotak Mahindra Bank, there was an overall increase of 339.64%. The bank increased its holding by 1.4% during the 5 years of study. In the case of Yes Bank, the overall increase was 415 %. The bank increased its holding by 0.79 % during 5 years of study. In South

Indian Bank, the overall increase was 490.62 %. South Indian bank increased its holding by 6.3%. In the case of Ing Vysya Bank, there was an overall decrease of 20.78%. The bank decreased its holding by 4.85% during the 5 years of the study. In the case of CITI Union Bank, the overall increase was 83.05 %. So the bank decreased its holding by 0.32% during the 5 years of the study. In the case of all the selected Private Banks, the amount increased by 169.41% during the 5 years of the study from 2007 to 2011. It was ₹ 11086.94 crore at the end of the 2007, and it grew to ₹ 29869.92 crore at the end of 2011.

TABLE 5: PERFORMANCE OF SELECTED PRIVATE BANKS IN ADVANCES OUTSIDE INDIA DURING 2007 TO 2011(IN CRORE)

Banks	2007	2008	2009	2010	2011
Axis Bank	2575.56	5380.92	10166.22	12330.8	19577.58
ICICI	24410.01	47745.65	54291.44	45136.67	55096.67
IDBI	-	-	-	283.77	1840.41
HDFC	-	-	833.38	1978.42	4653.54

(Source: annual report of banks)

Table 5 shows the total loan performances of the selected Private Banks outside India. The study concluded that these are the only banks that provide loans outside India also i.e. Axis Bank, ICICI Bank, IDBI Bank, HDFC Bank. In the case of Axis Bank, there was an increase of 660.12%. In the case of ICICI Bank there was an increase of 125.71%, IDBI Bank did not give loan outside India in the year 2007, 2008, and 2009. In 2010 it gave worth ₹283.77 crore and in 2011 the amount reached to ₹ 1840.41 crore with an increase of 548.55%. In the case of HDFC Bank, there is no loan given outside India in the year 2007 and 2008. In 2009, the amount was ₹833.38 crore and in 2010 the amount reached to ₹ 1978.42 crore with an increase of 137.39% over the previous year. In 2011 the figure reached ₹ 4653.54 crore with an increase of 135.21%.

NON - PERFORMING ASSETS (NPA)

A debt obligation where the borrower has not paid any previously agreed upon interest and principal repayments to the designated lender for an extended period of time. The nonperforming asset is therefore not yielding any income to the lender in the form of principal and interest payments.

CLASSIFICATION OF NON - PERFORMING ASSETS (NPA)

According to the RBI guidelines, banks must classify their assets on an on-going basis into the following four categories:

STANDARD ASSETS: Standard assets service their interest and principal installments on time although they occasionally default up to a period of 90 days. Standard assets are also called performing assets. They yield regular interest to the banks and return the due principal

on time and thereby help the banks earn profit and recycle the repaid part of the loans for further lending.

SUB-STANDARD ASSETS: Sub-standard assets are those assets which have remained NPAs (that is, if any amount of interest or principal installments' remains overdue for more than 90 days) for a period up to 12 months.

DOUBTFUL ASSETS: An asset becomes doubtful if it remains a sub-standard asset for a period of 12 months and recovery of bank dues is of doubtful.

LOSS ASSETS: Loss assets comprise assets where a loss has been identified by the bank or the RBI. These are generally considered uncollectible. Their realizable value is so low that their continuance as bankable assets is not warranted.

TABLE 6: CORRELATION BETWEEN NET PROFIT OF BANK AND TOTAL PRIVATE BANKS DURING 2002 – 2009(IN CRORE)

BANKS	2002	2003	2004	2005	2006	2007	2008	2009	TOTAL	CORRELATION
Axis Bank	134.14	193.39	271.38	323.8	485.08	659	1071	1815.4	4953	0.961
ICICI Bank	267.45	1206.2	1637.1	2005	2540.1	3110	4158	3758.1	18682	0.9395
HDFC Bank	297.04	438.04	602.72	853.6	1115.9	1383	1590	2244.9	8525	0.9702
Indusland Bank	50.75	-2.03	239.83	210.2	36.82	68.22	75.05	148.34	827.1	0.0538
Kotak Mahindra Bank	54.52	44.9	78.73	84.89	118.23	141.4	293.9	276.1	1093	0.9733
South Indian Bank	62.41	72.33	84.33	8.7	50.9	104.1	151.6	194.75	729.2	0.8668
ING Vyasa Bank	68.75	86.35	59	-38.2	9.06	88.91	155	188.78	617.6	0.7404
CITI Union Bank	28.44	33.37	57.04	46.32	56.37	71.81	101.7	122.13	517.2	0.9844
TOTAL PRIVATE BANKING INDUSTRY	1779.1	2958	3481	3533	4985	6465	9522	10868		

(Sources: www.rbi.org.in)

Note: (Net Profit of 2010 & 2011 data are not available on the RBI website so it has not been taken)

INTERPRETATION: Table 6 shows the Correlation between the net profit of individual bank and the total Private Banking Industry from 2002 to 2009. The study shows positive correlation between all the banks and the total private banking industry except Indusland Bank as it is moderately correlated. CITI Union Bank is highly correlated with the total private banking industry.

TABLE 6: CORRELATION BETWEEN LOANS OF BANK AND TOTAL PRIVATE BANKS DURING 2002 – 2011(IN CRORE)

BANKS	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	CORRELATION
Axis Bank	5352.3	7179.92	9362.95	15602.95	22314.23	36876.46	59476	81556.8	104343	142407.8	0.9733818
ICICI Bank	47034.87	53279.4	62095.5	91405.15	146163.1	195865.6	225616	218311	181206	216365.9	0.9011497
HDFC Bank	6813.72	11754.9	17744.5	25566.3	35061.26	46944.78	63426.9	99027.4	126163	160831.4	0.9705943
Indusland Bank	5574.2	5347.85	7812.23	8999.75	9310.46	11084.2	12795.3	15770.6	20550.6	26165.65	0.9617572
Kotak Mahindra Bank	1003.66	1240.58	2097.02	4017.14	6348.54	15573.44	21984.7	22497.6	29724.3	41241.95	0.9886207
South Indian Bank	3231.05	3612.94	4196.82	5365.26	6370.23	7918.91	10453.7	11852	15822.9	20488.73	0.9761916
ING Vysa Bank	4418.33	5611.61	7046.51	9080.59	10213.53	11976.17	14649.5	16756.4	18507.2	23602.13	0.9931891
CITI Union Bank	1011.05	1214.47	1546.98	2012.96	2549.53	3329.23	4537.23	5465.25	6833.45	9255.46	0.9817141
TOTAL BANKING INDUSTRY	116430	138951	170728	221148.6	312873.7	414754.8	518402	575336	632494	797534	

(Sources: www.rbi.org.in)

INTERPRETATION: Table 9 shows the correlation between loans of individual bank and Total Private Banking Industry FROM 2002 TO 2011. The data stated that there is the Perfect Positive Correlation between them. The ING Vyasa bank is highly correlated with the Total Private Banking Industry.

TABLE 7: CORRELATION BETWEEN NPA OF BANK AND TOTAL PRIVATE BANKS DURING 2002 – 2011(IN CRORE)

BANKS	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	CORRELATION
Axis Bank	282.16	228.9	274.72	311.11	373.88	410.66	485.7	890	1295	1587	0.8676
ICICI Bank	5013	5027	3047.6	2770.4	2222.6	4126.1	7570	9565	9267	9816	0.9726
HDFC Bank	217.74	262.3	324	427.41	583.23	645.39	903.6	1984	1807	1660	0.8592
Indusland Bank	417	266.3	259.36	320.53	268.83	342.74	392.7	255	255	266	-0.302
Kotak Mahindra Bank	13.17	16.48	19.96	29.32	39.91	282.13	453.1	731	767	603	0.8661
South Indian Bank	335.94	414.6	328.25	366.06	327.82	321.22	188.5	261	211	230	-0.676
ING Vyasa Bank	205.23	202.9	186.59	194.27	180.93	126.38	116.2	209	224	152	0.1856
CITI Union Bank	140.63	172.4	167.42	121.64	112.83	87.07	82.93	102	94	112	-0.269
TOTAL PRIVATE BANKING INDUSTRY	11667	11866	10352	8800	7829	9239	12976	16887	17384	17971	

(Sources: www.rbi.org.in)

INTERPRETATION: Table 7 shows the correlation between the NPA of individual Bank and Total Private Banking Industry from 2002 to 2011. The overall performance shows that it is the moderately correlated. The ICICI Bank is highly correlated with the Total Private Banking Industry and Indusland Bank, South Indian Bank and CITI Union Bank are negative correlated.

RECOMMENDATIONS AND SUGGESTIONS

After having studied the Loan Performance of the selected Private Banks, the following suggestions could improve the operational efficiency of the Private Banking Sector. They are as follows:

- It was observed that the lending policies of the various Banks were not proper due to having improper financing.
- Banks should provide detailed information to the customer about their lending policy.
- Various Private Banks are not granting Loans outside India, so they could do so to expand their business.
- Instead of focusing on urban areas only, the Banks should set up branches in the rural regions also which could improve there profitability.

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