



Relationship between Non-Performing Assets (NPA) and Profitability of Development Banks: The Case of India

Dr. Manu K S*; Rakhi Maheshwari**

*Assistant Professor,

Department of Management Studies,

Christ University,

Bengaluru, India.

manu.ks@christuniversity.in

**Student,

Department of Management Studies,

Christ University,

Bengaluru, India.

Abstract

The Non-performing assets have been changing from time to time which impact the bank's profitability. If the bank's profitability and productivity is affected, the money of the shareholders are also affected. This leads to impact of the financial growth of the economy. Development banks are multipurpose financial institutions which provide financial support to business units. The study pertains to analyze the impact of non-performing assets on development banks profitability. The study considers two development banks (IFCI and IDBI). Further the study considers ROA, ROE and ROCE as measures bank's profitability, Gross NPA and Net NPA as measures non-performing assets of the banks. The study used multiple regression analysis to analyze the impact of non-performing assets on banks profitability. The regression results found that net NPA has negative impact on profitability of IFCI. Thus, decreases in net NPA results increase in ROA, ROCE and ROE of IFCI bank during the study period. The regression results not supported any impact of NPA on profitability of IDBI. The study suggests stringent policies to be implemented by regulatory authorities to curb continuous rising of Banks's NPA which will hedge loss of tax payer's money in India.

Keywords: Non-performing assets, Profitability, Development Banks and Policies.



References

- Ahmed, F., &Tripathi, A., Dr. (2017). Non-Performing Assets and Profitability of Scheduled Commercial Banks. *IORS Journal of Business and Management*, 19(9).
- Digal , S. K., &Kanungo, E. (2015). Non-Performing Assets and Banking Stress: Some Issues . *Journal of Asian School of Business Management*, 7(2).
- Dudhe, C. (2017). Impact of Non-Performing Assets on The Profitability of Banks. Faculty of Economics and Business, University of Debrecen, Debrecen, Hungary.
- Kiran, P. K., & Jones, M. T. (2016). Effect of Nonperforming assets on the profitability of banks - A Selective Study. *International Journal of Business and General Management*, 5(2), 53-60.
- K, S. K., & Pillai, S. P. (2013). Efficiency of NPA Management in Indian SCBs – A Bank-Group Wise Exploratory Study. *Journal of Applied Finance & Bank*, 3, 123-137.
- Malyadri, P., & S. S. (2011). A Comparative Study of Non-Performing Assets in Indian Banking Industry. *International Journal of Economic Practices and Theories*, 1(2).
- Messai, A. S., &Jouini, F. (2013). Micro and Macro Determinants of Non-performing Loans. *International Journal of Economics and Financial Issues*, 3(4), 852-860.
- Mittal, R. K., Dr, &Suneja, D., Ms. (2017). The Problem of Rising Non- performing Assets in Banking Sector in India: Comparative Analysis of Public and Private Sector Banks. *International Journal of Management, IT & Engineering*, 7(7).
- Mohnani, P., &Deshmukh, M. (2013). A Study of Non-Performing Assets on Selected Public and Private Sector Banks. *International Journal of Science and Research*, 2(4).
- Murali , M. I., Mr, & R. K., Prof. (2013). Management of Non-Performing Assets In Regional Rural Banks: A Study With Reference To SaptagiriGrameena Bank (SGB) *International Journal of Management Research And Review*, 3(2).
- Miyan, M., Dr. (2017). A Comparative Statistical Approach towards NPA of PSU and Private Sector Banks in India, *International Journal of Advanced Research in Computer Science*, 8.
- Narula , S., Dr, &Singla, M. (2014). Empirical Study on Non-performing assets of Bank. *International Journal of Advance Research in Computer Science and Management Studies*, 2(1).
- Pradhan, P. K. (September, 2014).The Impact of Non- Performing Assets In The Performance Of Financial Institutions: A Case Study of OSFC. *Sai Om Journal of Commerce & Management*, 1(9).



Rathee, R., Kuhar, D., &Siwach, P. (2015). Non-Performing Assets in SBI (State Bank of India).
Global Journal of Enterprise Information System, 7(1).

Singh, V. (March 2016). A Study of Non-Performing Assets of Commercial Banks and it's
recovery in India. Annual Research Journal of SCMS, Pune.