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A study on Gross Non-Performing Asset (GNPA)Ratio and Net Non-Performing Asset (NPA)Ratioof Canara Bank

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Abstract
Asset Quality is one of the important aspect of the evaluation of a bank's performance. The main motive in measuring asset quality is to know the proportion of return on assets as a percentage and the amount locked up in investments as a percentage of the total assets. The quality of assets is an important parameter or component to measure the financial strength of the bank. Total investments to total assets indicate the extent of deployment of assets in investment as against advances (Total Assets). A higher ratio indicates that the bank has conservatively kept a high cushion of investment to guard against probable NPAs.

Introduction

CAMEL model is the most popular model to measure soundness of any bank. This model measures the performance of Canara bank by the important parameters like Capital Adequacy, Assets Quality, Management Efficiency, Earning Quality and Liquidity.In this study the researcher has made an attempt to evaluate the financial performance of Canara bank by using Asset Quality. The asset quality is measured by using Gross Non-performing Asset (GNPA) and Net Non-Performing Asset (NNPA) Ratio.

C A M E L M O D E L

C	Capital Adequacy	Capital Adequacy Ratio Total Advances to Total assets ratio
A	**Asset Quality**	**Gross Non-Performing Asset (GNPA)** **Net Non-Performing Asset (NNPA)**
M	Management Efficiency	Total Expenditure to Total Income Profit per employee
E	Earnings and Profitability	Return on Assets (ROA) Return on Equity (ROE) Net Interest Margin and Net Profit
L	Liquidity	Credit Deposit Ratio

Profile of Canara Bank

The Canara Bank is one of the most prominent commercial banks of India. The bank was established in the year 1906 at Mangalore. Canara Bank is one of the leading public sector banks in India. The Visionof Canara Bank is to emerge as a "Best Practices Bank" by pursuing global benchmarks in profitability, operational efficiency, asset quality, risk management and expanding the global reach. The Mission of Canara Bank is to provide quality banking services

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with enhanced customer orientation, higher value creation for stakeholders and to continue as a responsive corporate.

Literature Review

Khatik, S.K. and **Singh, P.K. (2005)** in their article " Financial appraisal of IDBI Bank Ltd" have attempted to evaluate the profitability and financial health of the IDBI through the application Capital adequacy ratio andNon-performing assets. **Miss. Kinnari D. Dhruve (2018)** in her study entitled"A Comparative Study of Financial Performance of Selected Public Sector Banks in India" analyzed the financial performance of the selected Public sector banks in India. The ratio analysis tool of the financial performance measurement have been opted. To analyze the overall financial performance researcher has studied the different seven fields of the financial performance such 1) Assets Quality, 2) Profitability, 3) Efficiency, 4) Productivity, 5) Liquidity, 6) Growth and 7) Capital Adequacy.

Objective of the study

1. To analyze the Gross Non-Performing Asset and Net Non-Performing Assetof Canara Bank;

Null Hypothesis (Ho)

1. There is no significant difference in performance of Gross NPA during the study period.
2. There is no significant difference in performance of Net NPA during the study period.

Research Methodology

Research is a scientific and systematic search for pertinent information. The main aim of research is to find out the truth which is hidden and which has not been discovered as yet or refinement over the existing findings of the earlier research work.

Methods of Data Collection: The task of data collection begins after a research problem has been identified. The research study is based on secondary data.

Table-1.1

Gross and Net NPA Ratio of Canara Bank

Year	Gross NPA Ratio	Net NPA Ratio
2008-09	1.56	1.09
2009-10	1.52	1.06
2010-11	1.47	1.1
2011-12	1.75	1.46
2012-13	2.57	2.18
2013-14	2.49	1.98
2014-15	3.89	2.65
2015-16	9.4	6.42
2016-17	9.63	6.33
2017-18	11.84	7.48
AVERAGE	**4.61**	**3.18**
SD	**4.03**	**2.53**
CV	**0.875**	**0.798**

Source : compiled and calculated from annual reports

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Figure – 1.1-**Gross and Net NPA Ratio of Canara Bank**

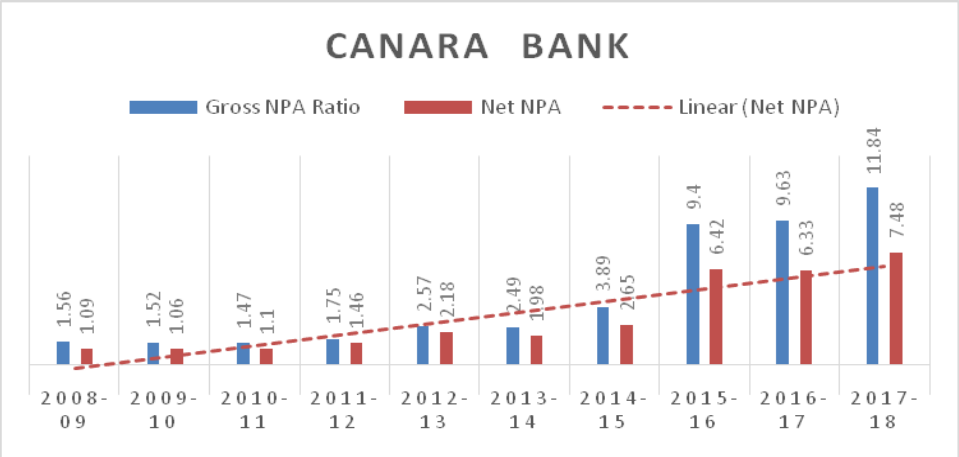

Table- 1.1 indicates the increasing trend of Gross NPA during the study period. The average is 4.61 percent. It is observed that Gross NPA was 3.89 percent in FY 2014-15. It increased sharply and reached 9.4 percent in FY 2015-16. It again increased sharply during the study period and 11.84 percent in FY 2017-18. Gross NPA reflects the quality of the loans made by banks. It consists of all the nonstandard assets such as sub-standard, doubtful, and loss assets.The average Net NPA is 3.18 percent. It is observed that Net NPA was 2.65 percent in FY 2014-15. It increased sharply and reached 6.42 percent in FY 2015-16. It again increased sharply during the study period and 7.48 percent in FY 2017-18. Net NPA shows the actual burden of the Banks.

Chi-square Test-1 - Gross NPA

Null Hypothesis (Ho)

There is no significant difference in performance of Gross NPA during the study period.

Alternative Hypothesis (H1)

There is a significant difference in performance of Gross NPA during the study period.

Table showing calculation of $\chi 2$– value

O_i	E_i	$O_i - E_i$	$(O_i-E_i)^2$	$(O_i-E_i)^2/E_i$
1.56	4.61	-3.05	9.31	2.0197
1.52	4.61	-3.09	9.56	2.0730
1.47	4.61	-3.14	9.87	2.1405
1.75	4.61	-2.86	8.19	1.7760
2.57	4.61	-2.04	4.17	0.9041
2.49	4.61	-2.12	4.50	0.9763
3.89	4.61	-0.72	0.52	0.1130
9.4	4.61	4.79	22.92	4.9707
9.63	4.61	5.02	25.18	5.4597
11.84	4.61	7.23	52.24	11.3278
			$\chi 2$	31.76

Calculated value of Chi-Square = 31.76

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Degree of Freedom = (r-1)(c-1) = (10-1) (2-1)= 9*1 = 9

Table value of $\chi 2$ for dof = 9 @ 5% level of significance = 16.919

Result: Calculated value of $\chi 2$ (31.76) is greater than the table value of $\chi 2$ (16.919), Hence H0 is rejected and concluded that there is a significant difference in performance of Gross NPA during the study period.

Chi-square Test-2- Net NPA

Null Hypothesis (Ho)

There is no significant difference in performance of Net NPA during the study period.

Alternative Hypothesis (H1)

There is a significant difference in performance of Net NPA during the study period.

Table showing calculation of $\chi 2$– value

O_i	E_i	$O_i - E_i$	$(O_i-E_i)^2$	$(O_i-E_i)^2/E_i$
1.09	3.18	-2.09	4.35	1.3692
1.06	3.18	-2.12	4.47	1.4089
1.1	3.18	-2.08	4.31	1.3561
1.46	3.18	-1.72	2.94	0.9264
2.18	3.18	-1.00	0.99	0.3118
1.98	3.18	-1.20	1.43	0.4498
2.65	3.18	-0.53	0.28	0.0868
6.42	3.18	3.25	10.53	3.3165
6.33	3.18	3.16	9.95	3.1351
7.48	3.18	4.31	18.53	5.8372
			$\chi 2$	18.20

Calculated value of Chi-Square = 18.20

Degree of Freedom = (r-1) (c-1) = (10-1) (2-1)= 9*1 = 9

Table value of $\chi 2$ for dof = 9 @ 5% level of significance = 16.919

Result: Calculated value of $\chi 2$ (18.20) is greater than the table value of $\chi 2$ (16.919), Hence H0 is rejected and concluded that there is a significant difference in performance of Net NPA during the study period.

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