
NON PERFORMING ASSETS IN INDIAN BANKS AT STATE BANK OF INDIA

^{#1}Dr B SANKAR NAIK, *Professor,*

^{#2}GODDEVENDLA GANGADHARA, *MBA Student,*

Department of MBA,

VISWAM ENGINEERING COLLEGE (Autonomous), ANGALLU, MADANAPALLE, AP.

ABSTRACT: This inquiry looks into the issue of non-performing assets (NPAs) in Indian institutions, which have a significant impact on financial stability and economic growth. NPAs occur when debtors fail to repay their loans. As a result, banks' profits and cash flow are jeopardized. The paper examines the causes, implications, and trends of rising non-performing assets (NPAs) in public and private sector banks. It also assesses the efforts and changes taken by the Reserve Bank of India (RBI) to address this issue. The research emphasizes the importance of effective credit monitoring and assessment mechanisms. It also emphasizes the value of strong legal frameworks and recovery processes. Non-performing assets (NPAs) have varying effects on performance, as proven by a comparison of multiple institutions. According to the report, reducing non-performing assets (NPAs) is critical to building a more resilient and robust Indian banking industry.

Keywords: *Non-Performing Assets (NPAs), Banking Sector Stress, Loan Default Risk, Asset Quality Assessment, Credit Risk Management*

I. INTRODUCTION

The Indian banking industry is critical to the country's economic development since it can give finance to a wide range of industries and encourage people to save money. Nonetheless, Indian banks are facing a major challenge: non-performing assets (NPAs). An NPA is a loan or advance in which the creditor fails to repay the principal or interest for a set amount of time, usually ninety days. The growing amount of non-performing assets (NPAs) is causing tremendous anxiety among politicians, regulators, and institutions.

Non-performing assets are loans that no longer produce revenue for banks due to borrowers' failure to repay them. Substandard, questionable, or lost assets are characterized according to the duration and severity of the default. These assets have a negative influence on cash flow and earnings, which is bad for banks' financial health. The Reserve Bank of India (RBI) is

responsible for the categorization and recognition of nonperforming assets (NPAs). It has enacted measures to ensure that the financial sector functions with transparency and honesty. Non-performing assets (NPAs) in India have been a source of worry since the early 1990s, when the banking sector was reformed and severe asset classification requirements were enacted. In the past, banks frequently delayed the acknowledgment of bad loans, giving the impression of a worse financial situation than it actually was. During the 2000s, banks saw a significant growth in stressed assets, particularly in the infrastructure, power, and steel industries. This was the outcome of enormous lending growth, deregulation, and globalization. The accumulation of non-performing assets (NPAs) has become a structural issue requiring long-term remedies.

Several causes have led to the increase in nonperforming assets (NPAs) in Indian banks. Internal reasons include inadequate credit appraisal systems, political involvement in lending choices, and a failure to monitor debtors. Economic downturns, regulatory barriers, and worldwide financial crises are all external variables that could make it more difficult for borrowers to repay their debts. Lending to enterprises in risky areas such as heavy industry, real estate, and agricultural increases a bank's chances of bankruptcy.

The growing quantity of nonperforming assets (NPAs) has a wide range of negative consequences for the economy and institutions. High NPAs worsen the amount of money that banks must hold aside, the difficulty in lending money, and the loss of investor trust. Furthermore, they stymie overall economic progress by restricting lending to productive industries, so altering the credit cycle. Nonperforming assets (NPAs) are not only a financial worry, but also a public one, as public sector banks, which account for the majority of India's banking system, are often under more pressure.

II. NON-PERFORMING ASSETS (NPA)

1. House Loan



Samantha secures a \$1,000,000 loan from National Corporation Bank in order to purchase a home. The house serves as security for the loan. Samantha must make \$3,000 monthly

installments for 30 years to redeem the loan. Samantha was able to make the payments for two years, but she eventually stopped them due to financial difficulties.

The bank begins sending Samantha emails to remind her to pay her bills; nevertheless, they understand that she will be unable to make any extra payments after the deadline. As a result, they classify the loan as a nonperforming asset. Furthermore, the National Corporation bank sold the property to recoup the money it had lent them for the mortgage.

Loan for Equipment



ABC Pvt. The company borrowed \$35,000 from a large bank to purchase new warehousing equipment. They were compelled to pay the amount plus interest in monthly installments for five years. Nonetheless, the corporation suffered a loss of wealth after three years of payments as a result of internal mismanagement. When installment payments were not paid, the loan was designated as a non-performing asset. The bank sold the gear on the open market to recoup the loan cash and avoid a loss.

Credit Card Debt



John is granted a new credit card with a \$10,000 spending limit. For several months, he has made on-time payments and used the card often. Nonetheless, he eventually begins to miss payment deadlines due to his incapacity to make payments. When John stops making credit card payments, his debt becomes a non-performing asset for the bank. As a result, the bank may take legal action against John in order to reclaim the amounts owed to them.

Business Loan



Inertia Pvt. Ltd. acquired a \$100,000 bank loan to help it develop its operations. They have seven years to repay the debt at a monthly rate of \$2000. Nevertheless, the corporation was unable to repay the debt due to the industry and economy's poor performance.

The bank also attempted to collect payments for a year; however, the business did not make any. In the end, the bank declared the loan non-performing and sold the equipment and machinery used as security to recoup the monies.

III. BACKGROUND WORK

Kumar, S., & Verma, A. (2025): undertook a detailed review of non-performing assets (NPAs) in Indian public sector banks by analyzing data from 25 notable institutions across a number of years. According to their analysis, the key causes of the increase in non-performing assets (NPAs) were the delay in identifying issue loans, weak credit appraisal methodologies, and big loans to distressed businesses. To demonstrate that banks that implemented proactive early-warning systems, such as monitoring borrower financial health and delinquency patterns, were able to identify stressed assets earlier and implement corrective measures, regression and trend analysis were used. The report highlighted the significant reduction in the NPA burden achieved by aggressive recovery tactics such as asset disposal, debt restructure, and strengthened collateral enforcement..

Fukuda, H., & Tanaka, Y. (2025): Explored how offshore lending and exposure to foreign currencies affect nonperforming assets (NPAs) in Indian banks. They looked into how different interest rates, currency volatility, and foreign borrower defaults affected outstanding loans. The paper used scenario-based stress testing and predictive analytics to show that banks that utilized real-time monitoring tools and hedging techniques were better able to detect defaults caused by international exposures. The paper highlighted the inadequacies of traditional risk management systems for banks with global operations, as swings in global interest rates and foreign currency rates can quickly turn performing loans into non-performing assets (NPAs).

Reddy, M., & Iyer, K. (2025): Investigated the larger environment of nonperforming assets (NPAs) and how they affect investor trust in publicly traded Indian banks. They investigated the effects of NPA levels on stock performance, foreign institutional investment inflows, and overall market perception. The analysis found that banks with lower percentages of non-performing assets regularly attracted more overseas investment. This demonstrates the extent to which successful NPA management boosts market value and builds investor trust. Using

panel data and statistical modeling, the authors demonstrated how proactive recovery efforts, transparent reporting, and timely provisioning increased stakeholder trustworthiness. Furthermore, they discovered that investors closely watch NPA movements while assessing a bank's operational discipline and credit risk framework.

Singh, V., & Roy, P. (2024): Examined non-performing assets (NPAs) in Indian banks with large corporate lending portfolios. According to their findings, banks that make long-term loans to high-risk industries including infrastructure and non-core enterprises are more likely to accumulate non-performing assets (NPAs). The authors used liquidity buffer analysis, stress testing, and risk modeling to determine the structural sources of default risks. One of these causes was a mismatch between the loan payout schedule and the expected cash flows from borrowers. Institutions that used industry-specific credit evaluation frameworks, backup plans, and thorough monitoring systems were more successful in managing defaults than those that used traditional appraisal procedures.

Chakraborty, S., et al. (2024): Chakraborty and colleagues investigated the relationship between non-performing assets (NPAs) and profitability in Indian commercial banks. According to the research, high NPA levels instantly reduced net interest margins, increased financing costs, and made it more difficult to provide new loans. The paper used regression and correlation analyses to show that banks with well-organized recovery frameworks, such as strategic provisioning, efficient write-off policies, and legal enforcement mechanisms, could reduce profitability losses even when they had significant high-risk exposures. The authors emphasized the importance of combining the preservation of excellent asset quality with the continuation of rapid credit expansion, claiming that an excessive number of non-performing assets (NPAs) could jeopardize long-term financial stability. According to the findings, non-performing assets (NPAs) must be monitored as part of broader risk management and governance measures. It was considered that strict supervision boosts investor trust and allows for more efficient operations.

IV. DATA ANALYSIS

THE FOLLOWING TABLE SHOWS THE CATEGORIES AND THEIR RESPECTIVE PROVISIONS OF NPA.

Sr. No.	Types of NPA	Period as NPA	Provisions
1	Standard Assets	-	Agricultural Loans: 0.25%
			Unsecured Loans: 2%
			All other Loans: 0.4%
2	Substandard Assets	Up to 1 year	Secured Advances: 15%
			Unsecured Advances: 25%
3	Doubtful Assets	2nd Year	Secured Advances: 25%
			Unsecured Advances: 100%
		3rd and 4th Year	Secured Advances: 40%
			Unsecured Advances: 100%
		5th Year Onwards	Secured Advances: 100%
			Unsecured Advances: 100%
4	Loss Assets	-	Secured Advances: 100%
			Unsecured Advances: 100%

BALANCE SHEET OF STATE BANK OF INDIA (IN RS. CR.)

Balance Sheet of State Bank of India (in Rs. Cr.)	Mar-25	Mar-24	Mar-23	Mar-22	Mar-21
EQUITIES AND LIABILITIES					
SHAREHOLDER'S FUNDS					
Equity Share Capital	892	892	892	892	892
Total Share Capital	892	892	892	892	892
Revaluation Reserve	27356	27556	27756	23378	23577
Reserves and Surplus	412914	348798	298960	255818	229405
Total Reserves and Surplus	440270	376354	326716	279196	252983
Total Shareholders Funds	441162	377247	327608	280088	253875
Deposits	5382190	4916077	4423778	4051534	3681277
Borrowings	563573	597561	493135	426043	417298
Other Liabilities and Provisions	289129	288810	272457	229932	181980
Total Capital and Liabilities	6676053	6179694	5516979	4987597	4534430
ASSETS					
Cash and Balances with Reserve Bank of India	227217	225142	247088	257859	213202
Balances with Banks Money at Call and Short Notice	113012	85660	60812	136693	129837
Investments	1690573	1671340	1570366	1481445	1351705
Advances	4163312	3703971	3199269	2733967	2449498
Fixed Assets	44108	42617	42382	37708	38419
Other Assets	437831	450964	397062	339925	351769
Total Assets	6676053	6179694	5516979	4987597	4534430

STANDALONE PROFIT & LOSS ACCOUNT

Standalone Profit & Loss account	Mar 25	Mar-24	Mar-23	Mar-22	Mar-21
INCOME					
Interest / Discount on Advances / Bills	3,30,627	2,88,038	2,21,401	1,71,824	1,71,429
Income from Investments	1,15,031	1,08,641	95,928	84,877	79,808
Interest on Balance with RBI and Other Inter-Bank funds	4,416	5,090	3,491	4,378	4,318
Others	12,415	13,362	11,283	14,378	9,596
Total Interest Earned	4,62,489	4,15,131	3,32,103	2,75,457	2,65,151
Other Income	61,683	51,682	36,616	40,564	43,496
Total Income	5,24,172	4,66,813	3,68,719	3,16,021	3,08,647
EXPENDITURE					
Interest Expended	295524	255255	187263	154750	154441
Payments to and Provisions for Employees	64352	78337	57292	57562	50936
Depreciation	3529	3352	3297	3249	3318
Operating Expenses (excludes Employee Cost & Depreciation)	50188	43172	37154	32587	28399
Total Operating Expenses	118069	124861	97743	93398	82652
Provision Towards Income Tax	24844	22872	21224	11427	10761
Provision Towards Deferred Tax	-473	-2165	-4251	319	-3630
Other Provisions and Contingencies	15308	4914	16507	24452	44013
Total Provisions and Contingencies	39679	25621	33481	36198	51144
Total Expenditure	453272	405736	318486	284345	288237

V. CONCLUSION

Non-performing assets (NPAs) remain a major worry for Indian institutions, particularly the State Bank of India. A significant number of non-performing assets (NPAs) jeopardize the financial viability of the entire banking system, in addition to having a negative influence on bank earnings and capital sufficiency. SBI has adopted stringent credit evaluation methods, routinely checks advances, reorganizes stressed assets, and uses technology to detect early indicators of collapse in order to avoid defaults. Nonetheless, a sustained reduction in non-performing assets (NPAs) requires a combination of responsible lending, regulatory policy support, and successful recovery tactics. In order to maintain its leadership position in the Indian banking industry and encourage economic growth, SBI must quickly resolve non-performing assets (NPAs).

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