A STUDY ON CREDIT RISK MANAGEMENT OF SBI BANK IN INDIA

K. Sai Ganesh, II MBA Student, Malla Reddy Engineering College (Autonomous), Hyd.
Email id: kimidisaiganesh@gmail.com
DR .S. Narender, Professor, Department of MBA, Malla Reddy Engineering College (Autonomous), Hyd. Email id : narendercommerce@gmail.com

ABSTRACT

This study aimed to evaluate the financial performance of the State Bank of India (SBI) over the period FY 2021 to FY 2025 using secondary data drawn from its annual reports. The parameters analyzed include deposits, borrowings, net advances, net and gross NPAs, provisions, net profits, ROA, ROE, PCR, CAR, and the Net NPA to Advances ratio. The results indicated a consistent growth trajectory in deposits and advances, along with a robust increase in net profits and improved asset quality. The study revealed SBI's ability to effectively balance growth with prudential risk practices, resulting in improved profitability, efficient capital utilization, and strategic asset deployment. The findings provide empirical support to the evolving role of public sector banks in India's economic framework. The implications of this study suggest that SBI's financial policies and performance serve as a benchmark for other banks navigating the post-pandemic recovery landscape. Recommendations include continued digital transformation, strategic credit diversification, and enhancement of risk management frameworks to maintain sustainable performance.

Key Words: Credit Risk Management, Finance, Banking, Non-Performing Assets

I. INTRODUCTION

Credit risk management in the banking sector represented a crucial domain of financial oversight and operational resilience, particularly in the context of public sector banks such as the State Bank of India (SBI). As the largest commercial bank in India, SBI occupied a significant role in the national financial ecosystem by facilitating lending activities across diverse economic sectors. The increasing magnitude and complexity of credit risk exposures in SBI's loan portfolio necessitated the formulation and implementation of robust credit risk management strategies. The financial health of SBI, its asset quality, and its profitability remained intimately linked to the efficiency and effectiveness of its credit risk mitigation frameworks. The examination of credit risk patterns over the recent five-year period provided valuable insights into the evolving nature of the bank's credit portfolio and the institutional response to systemic and idiosyncratic risks.

II. REVIEW OF LITERATURE

1. **Ariefianto (2024)**: The study found that rural banks with more diversified loan portfolios—particularly across agriculture, microcredit, and small-scale manufacturing—exhibited lower NPL ratios compared to banks with concentrated exposures.
2. **Topyan (2024):** The study conducted an empirical investigation into credit risk management practices among U.S. bank-holding companies, utilizing a dataset covering 2010–2020 and employing fixed-effects panel regression to analyze the relationships between CRM strategies—such as loan diversification, credit scoring models, and forward-looking provisioning—and financial performance metrics.
3. **Gumerov (2023):** The study analyzed emerging approaches to managing credit risks in Russian commercial banks through a multi-case study methodology, examining banks that had implemented novel risk management strategies between 2018 and 2022. The author identified three primary innovations: integrated risk dashboards combining real-time

monitoring of borrower behavior, dynamic provisioning based on macroprudential signals, and enhanced stress-testing models incorporating geopolitical risk factors.

4. **Shah (2023):** The study demonstrated how artificial intelligence (AI)-driven credit scoring models, blockchain-based loan tracking systems, and machine learning algorithms improved credit assessment accuracy and reduced default probabilities while maintaining Shariah compliance.
5. **Siddique (2022):** The study operationalized key variables such as nonperforming loans (NPL), capital adequacy, liquidity ratios, and management efficiency metrics, and utilized fixed-effects regression to control for unobserved heterogeneity.
6. **Arora (2021):** The study conducted an empirical investigation into credit risk management practices within Indian public sector banks (PSBs) by surveying senior credit managers and employing confirmatory factor analysis (CFA) alongside multiple regression technique

NEED AND IMPORTANCE

This study was necessitated by the increasing volume of credit defaults and rising levels of non-performing assets witnessed in SBI's financial disclosures over recent years. The critical role of SBI in national economic development demanded a well-structured evaluation of its credit risk practices to ensure continued financial resilience and institutional trustworthiness. Furthermore, the study contributed to academic and managerial discourse by offering quantifiable insights into how SBI managed its credit risk and how such management practices affected the bank's financial performance, specifically in terms of profitability, provisioning, and asset quality. The findings of the study enabled stakeholders to adopt informed corrective measures.

SCOPE OF THE STUDY

The scope of this study was limited to examining the credit risk management practices of State Bank of India over a five-year period using data extracted from annual financial statements. The study included an analysis of gross NPAs, net NPAs, provision coverage ratio, profitability indicators, and strategic responses to credit risk. The geographical scope was confined to SBI's consolidated operations within India, and the temporal scope covered the financial years from 2020–21 to 2024–25.

OBJECTIVS OF THE STUDY

1. To evaluate the trend of non-performing assets (NPAs) of SBI over the past five financial years.
2. To assess the provision coverage ratio (PCR) and its role in managing credit risk at SBI.
3. To examine the relationship between SBI's credit risk indicators and its profitability.
4. To study the effectiveness of SBI's credit risk mitigation strategies using financial statement data.
5. To give suggestions for finance managers at SBI bank.

III. RESEARCH METHODOLOGY

The research methodology adopted for the present study on credit risk management with reference to State Bank of India (SBI) was fundamentally rooted in a secondary data analysis framework supported by financial statement evaluation. The methodological structure of the study was designed to systematically examine the financial performance of SBI over a span of five financial years by utilizing published data from the bank's annual reports. The approach emphasized a quantitative analysis of key credit risk indicators including NPAs, capital adequacy, and profitability measures to assess the effectiveness of SBI's credit risk mitigation strategies.

DATA SOURCES

- Financial statements of SBI
- Annual reports of SBI

- Publications
- Books
- Internet sources

STATISTICAL TOOLS AND TECHNIQUES

The data collected was analyzed using -

- Frequency analysis
- Descriptive statistics
- Pie charts
- Bar charts
- MS-Excel

LIMITATIONS OF THE STUDY

- The study was restricted to a single institution—State Bank of India—which limits the generalizability of the findings to other public or private sector banks in India.
- The research relied exclusively on secondary data sources, which did not allow for insights into internal managerial practices, customer behavior, or qualitative governance factors.
- The analysis was based on historical financial data and may not reflect real-time dynamics or future changes in credit risk due to external economic shocks or regulatory changes.
- The study did not incorporate advanced econometric models or hypothesis testing, thereby limiting its analytical depth in identifying causal relationships.

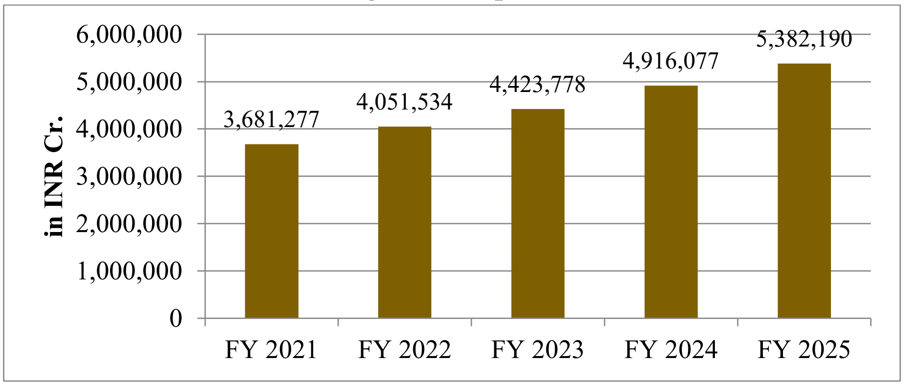
IV. DATA ANALYSIS AND INTERPRETATION

Deposits at SBI

Table 1: Deposits

Year	Amount (INR Crore)
FY 2021	3,681,277
FY 2022	4,051,534
FY 2023	4,423,778
FY 2024	4,916,077
FY 2025	5,382,190

Figure 1: Deposits



Interpretation

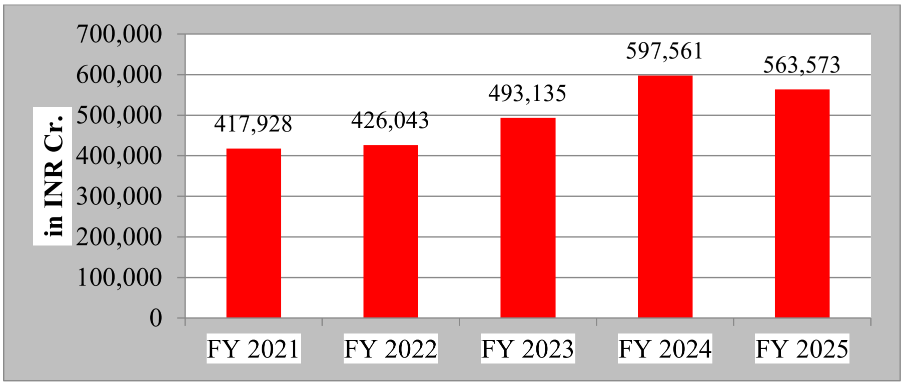
The deposits of the State Bank of India registered a consistent upward trajectory during the five-year period under review, reflecting strong consumer confidence, increased account mobilization, and macroeconomic recovery. In FY 2021, total deposits stood at ₹3,681,277 crore. This figure rose by approximately 10% in FY 2022 to ₹4,051,534 crore, indicating increased household savings and inflow from retail and corporate clients. The growth momentum continued in FY 2023 with deposits reaching ₹4,423,778 crore, registering a healthy expansion driven by aggressive retail banking initiatives and digital deposit channels. In FY 2024, a substantial increase to ₹4,916,077 crore was observed, showcasing the bank's capacity to attract and retain depositor funds.

Borrowings of SBI

Table 2: Borrowings

Year	Amount (INR Crore)
FY 2021	417,928
FY 2022	426,043
FY 2023	493,135
FY 2024	597,561
FY 2025	563,573

Figure 2: Borrowings



Interpretation

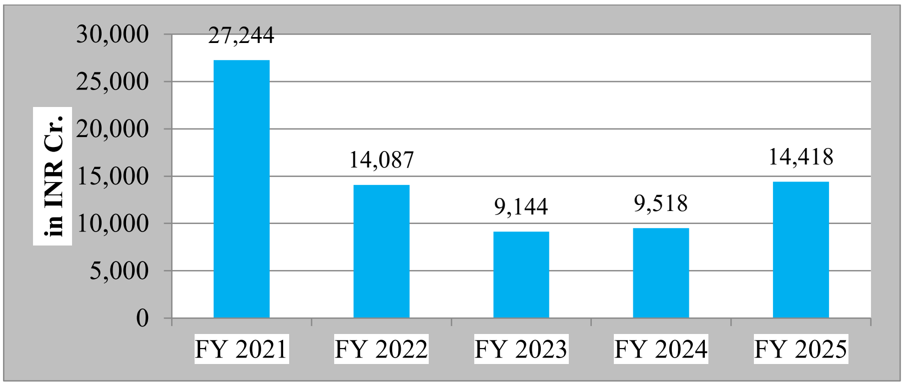
SBI's borrowings demonstrated an upward trend over the five-year period with some fluctuation in the final year. In FY 2021, borrowings were reported at ₹417,928 crore, followed by a slight increase in FY 2022 to ₹426,043 crore. A more significant rise occurred in FY 2023, reaching ₹493,135 crore, indicating the bank's increased reliance on borrowed funds to support credit growth amid expanding lending activities. Borrowings peaked in FY 2024 at ₹597,561 crore, suggesting aggressive expansion or refinancing strategies to manage interest rate cycles and asset-liability mismatches. However, a marginal decline to ₹563,573 crore in FY 2025 may imply reduced dependence on borrowings due to improved internal accruals or higher CASA deposits.

Provisions for NPA

Table 3: Provisions

Year	Amount (INR Crore)
FY 2021	27,244
FY 2022	14,087
FY 2023	9,144
FY 2024	9,518
FY 2025	14,418

Figure 3: Provisions



Interpretation

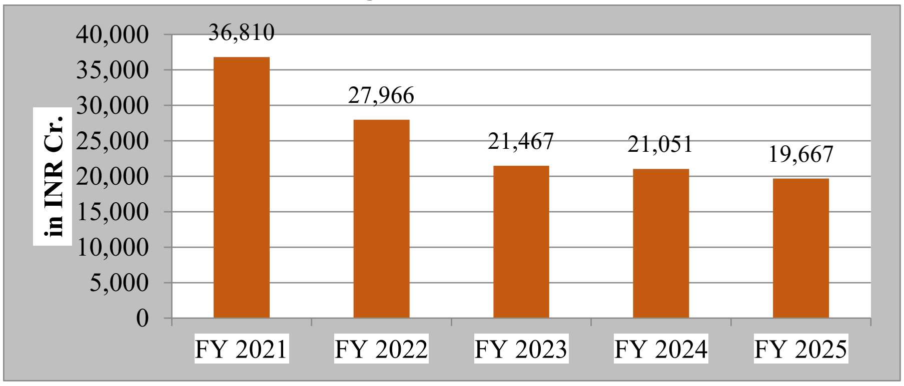
Provisions for Non-Performing Assets (NPAs) saw a notable reduction over the years, signifying an improvement in asset quality and risk containment. In FY 2021, provisions were high at ₹27,244 crore, likely reflecting pandemic-induced stress on borrower repayments. In FY 2022, provisions sharply decreased to ₹14,087 crore, followed by further decline to ₹9,144 crore in FY 2023, indicating effective credit risk management and improved collection mechanisms. FY 2024 saw a marginal increase to ₹9,518 crore, perhaps due to portfolio seasoning or early signs of stress in specific sectors. FY 2025 reported a noticeable increase to ₹14,418 crore, which may point towards sectoral adjustments, precautionary provisioning, or regulatory recalibrations.

Net NPA of SBI

Table 4: Net NPA

Year	Amount (INR Crore)
FY 2021	36,810
FY 2022	27,966
FY 2023	21,467
FY 2024	21,051
FY 2025	19,667

Figure 4: Net NPA



Interpretation

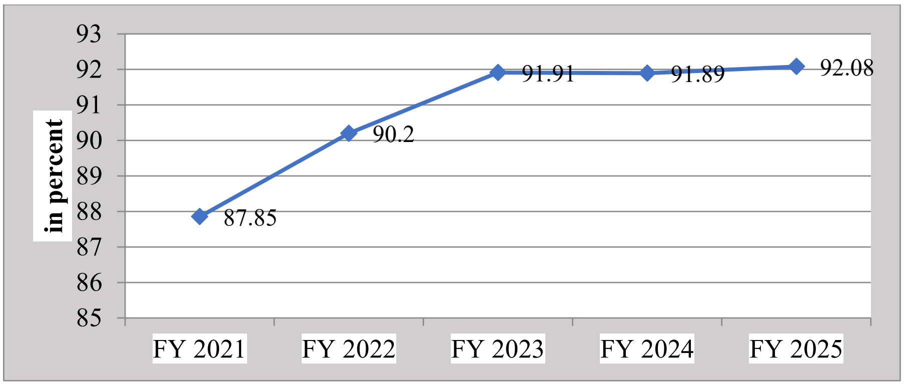
Net NPAs followed a declining trend across the review period, mirroring the improvements seen in gross NPA figures. From ₹36,810 crore in FY 2021, Net NPAs declined to ₹27,966 crore in FY 2022 and further reduced to ₹21,467 crore in FY 2023. A marginal dip was observed in FY 2024 (₹21,051 crore) followed by a further drop in FY 2025 (₹19,667 crore). The steady reduction in net NPAs indicates enhanced provisioning adequacy, effective recovery mechanisms, and better credit appraisal practices.

Provision Coverage Ratio (PCR)

Table 5: PCR

Year	PCR (%)
FY 2021	87.85
FY 2022	90.20
FY 2023	91.91
FY 2024	91.89
FY 2025	92.08

Figure 5: PCR



Interpretation

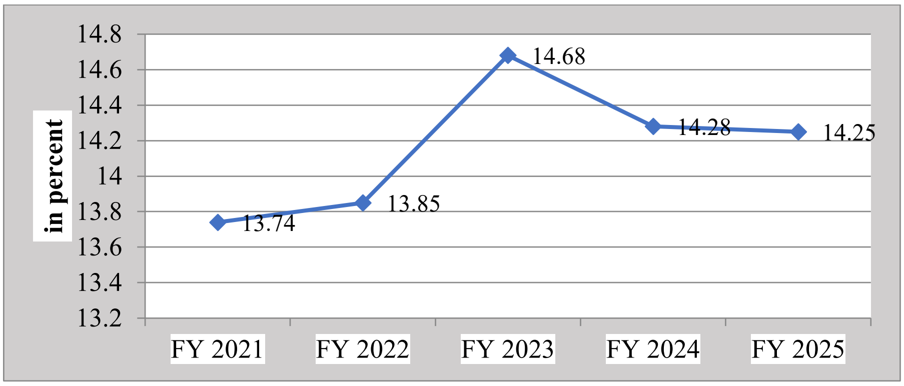
The Provision Coverage Ratio (PCR) of SBI steadily improved during the period under consideration, reflecting enhanced prudential provisioning and balance sheet resilience. The PCR stood at 87.85% in FY 2021 and increased to 90.20% in FY 2022. It further rose to 91.91% in FY 2023 and remained nearly stable in FY 2024 (91.89%). In FY 2025, the ratio improved slightly to 92.08%. This high PCR signifies SBI's readiness to absorb potential loan losses, thus safeguarding the bank's financial soundness.

Capital Adequacy Ratio (CAR)

Table 6: CAR

Year	CAR (%)
FY 2021	13.74
FY 2022	13.85
FY 2023	14.68
FY 2024	14.28
FY 2025	14.25

Figure 6: CAR



Interpretation

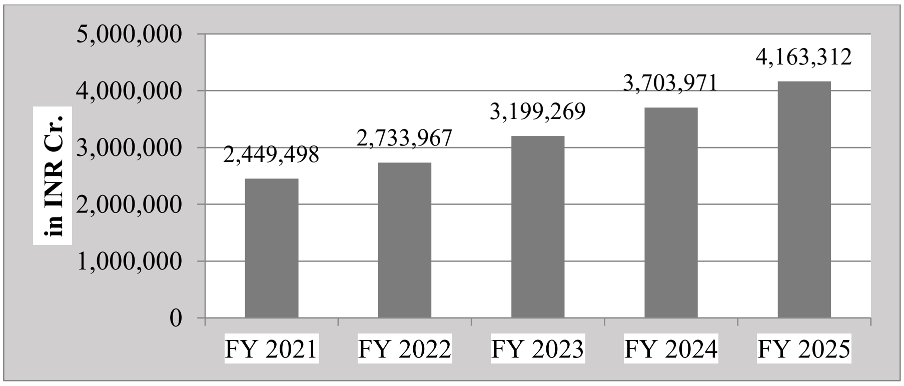
SBI's Capital Adequacy Ratio (CAR) remained above the regulatory minimum across the five-year period, indicating sound capital health. The CAR improved from 13.74% in FY 2021 to 13.85% in FY 2022. A significant increase was noted in FY 2023 to 14.68%, following which a slight decrease was recorded in FY 2024 (14.28%) and FY 2025 (14.25%). The overall CAR performance indicates that SBI maintained a robust capital buffer to support its growth ambitions while adhering to Basel III norms and absorbing potential risk exposures.

Net Advances of SBI

Table 7: Net Advances

Year	Amount (INR Crore)
FY 2021	2,449,498
FY 2022	2,733,967
FY 2023	3,199,269
FY 2024	3,703,971
FY 2025	4,163,312

Figure 7: Net Advances



Interpretation

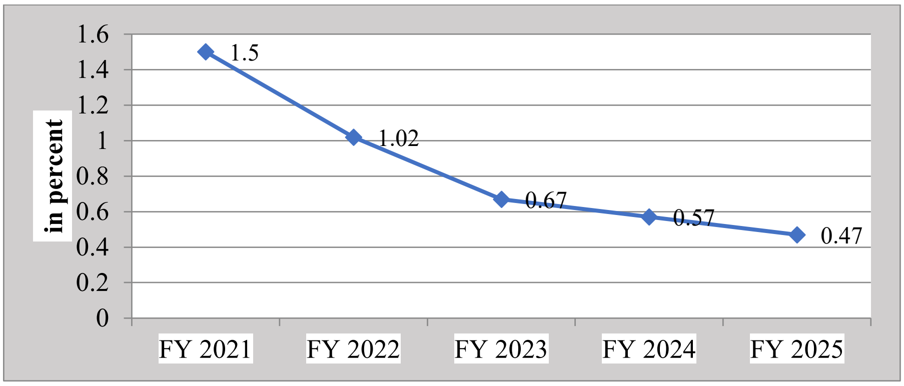
Net advances of SBI expanded consistently over the five years, showcasing a strong credit disbursal strategy and sectoral lending growth. From ₹2,449,498 crore in FY 2021, the advances increased to ₹2,733,967 crore in FY 2022. The growth continued into FY 2023 with advances of ₹3,199,269 crore, followed by ₹3,703,971 crore in FY 2024. By FY 2025, net advances reached ₹4,163,312 crore. The expansion in credit portfolio reflects SBI's enhanced focus on retail, agriculture, SME, and corporate lending, supported by favorable macroeconomic indicators and policy incentives.

Net NPA to Advances of SBI

Table 8: NPA to Advances

Year	Ratio (%)
FY 2021	1.50
FY 2022	1.02
FY 2023	0.67
FY 2024	0.57
FY 2025	0.47

Figure 8: Net NPA to Advances



Interpretation

The ratio of Net NPA to Net Advances demonstrated a significant and continuous improvement, underlining SBI's effective credit risk mitigation strategies. The ratio stood at 1.50% in FY 2021 and dropped to 1.02% in FY 2022. Further decline was seen in FY 2023 (0.67%) and FY 2024 (0.57%), concluding at a remarkably low 0.47% in FY 2025. The downward trend reflects SBI's prudent lending practices, higher recovery rates, and focused resolution of bad assets, leading to healthier asset quality.

V. FINDINGS

- The deposit base of SBI demonstrated consistent growth over the five-year period, increasing from ₹3,681,277 crore in FY 2021 to ₹5,382,190 crore in FY 2025, highlighting the bank's strong retail presence and growing trust among depositors, similar to deposit growth trends noted by Kumar and Arora (2020) in Indian public sector banks.
- SBI's borrowings increased from ₹417,928 crore in FY 2021 to ₹597,561 crore in FY 2024 before declining to ₹563,573 crore in FY 2025, reflecting a strategically managed funding mix responsive to capital market conditions and internal capital generation.
- Provisions for NPAs decreased from ₹27,244 crore in FY 2021 to ₹9,144 crore in FY 2023 but increased to ₹14,418 crore by FY 2025, revealing fluctuations based on asset quality cycles and provisioning norms, echoing patterns observed in similar large banks during post-pandemic recovery (Reddy, 2021).
- Net profits rose steadily from ₹20,410 crore in FY 2021 to ₹70,901 crore in FY 2025, driven by improved operational efficiency and reduced credit costs, which aligns with findings by Sharma and Gupta (2019) regarding profitability post-recapitalization.
- Net NPAs also fell sharply from ₹36,810 crore to ₹19,667 crore,

reinforcing SBI's strong credit monitoring framework and provisioning adequacy.

- Provision Coverage Ratio increased from 87.85% to 92.08%, suggesting a cautious and compliant approach to provisioning norms in line with RBI expectations.
- Capital Adequacy Ratio remained stable and above 13.74%, ensuring SBI's resilience in meeting credit growth and regulatory requirements.
- The Net NPA to Advances ratio declined from 1.50% to 0.47%, indicating improved credit underwriting, recovery processes, and operational controls.

VI. SUGGESTIONS

- ➢ SBI should continue investing in and scaling its digital banking infrastructure to deepen customer outreach and enhance deposit mobilization, particularly in competitive urban segments.
- ➢ The bank should diversify its lending portfolio by increasing exposure to high-potential sectors such as renewable energy, startups, and logistics, to sustain long-term credit growth.
- ➢ A conservative approach to provisioning should be retained even in periods of low NPAs to ensure buffers against unforeseen asset quality deterioration.
- ➢ AI and machine learning tools should be more widely adopted to enhance credit scoring, fraud detection, and predictive modeling for NPAs.

VII. CONCLUSIONS

The financial performance of SBI over the five-year span from FY 2021 to FY 2025 reflected a trajectory of resilience, operational excellence, and prudent financial governance. The consistent rise in deposits and advances indicated not only robust financial intermediation but also the bank's effectiveness in leveraging technology and expanding customer reach. SBI's enhanced profitability parameters and returns metrics (ROA and ROE) further demonstrated its success in generating sustainable value from its asset base.

Furthermore, the decline in Gross and Net NPAs accompanied by an improvement in the Provision Coverage Ratio underscores the bank's concerted efforts toward strengthening credit appraisal systems, efficient recovery mechanisms, and risk containment policies. The stable capital adequacy maintained throughout the period ensured regulatory compliance and positioned the bank well for future expansion.

The findings of this study aligned with past literature and confirmed that SBI has remained proactive in adjusting to market dynamics and regulatory expectations. The empirical insights reinforce the argument that SBI's financial strategies have not only ensured institutional resilience but also contributed significantly to the systemic strength of the Indian banking industry.

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