A STUDY ON NON PERFORMING ASSETS AT SBI BANK

V. Sai Venkat II MBA, Department Of MBA, Malla Reddy Engineering College(A) , Hyd,
Email: saivenkatvarakala19@gmail.com
Dr. K. Pushpa latha , Associate professor , Department of MBA, Malla Reddy Engineering College (A), Hyderabad ,E-Mail: pushpa.kamineni@Gmail.Com

ABSTRACT

The study investigated the trajectory and management of non-performing assets at SBI bank over a five-year period. Employing secondary data extracted from audited financial statements, the research assessed key indicators of asset quality, provisioning adequacy, capital strength, and profitability. Descriptive statistical techniques and visual analyses were utilized to trace trends in gross and net NPAs, provisioning coverage, capital ratios, deposit growth, borrowings, and earnings metrics.

Findings revealed a sustained improvement in asset quality alongside robust profitability enhancements and maintained capital resilience. The study offered strategic recommendations for credit appraisal, recovery processes, capital management, and portfolio diversification. The research contributed empirical insights into effective NPA mitigation and financial performance optimization within the banking sector.

I. INTRODUCTION

The concept of non-performing assets (NPAs) represented a critical area of concern in banking and financial systems, especially in economies with significant exposure to credit risk across various sectors. NPAs were defined as loans or advances for which the principal or interest payment remained overdue for a period of 90 days or more. The rise in NPAs signified the deteriorating asset quality of banks and reflected inefficiencies in credit risk assessment, borrower defaults, and inadequate recovery frameworks. When a significant portion of a bank's loans became non-performing, it severely restricted the bank's capacity to extend fresh credit, thereby stalling the flow of capital in the economy. Thus, the persistent problem of NPAs not only affected the banking institutions but also had systemic implications for macroeconomic stability.

The issue of NPAs assumed greater prominence in the context of financial reforms and regulatory tightening. The growing incidence of loan defaults weakened the internal financial health of banks, eroded investor confidence, and triggered capital infusion requirements to maintain capital adequacy norms. Moreover, the emergence of NPAs created distortions in credit allocation, resulting in suboptimal lending practices. The cumulative effect of such financial stress necessitated a critical examination of the scale, distribution, and causes of NPAs across different sectors and borrower categories. This made the study of NPAs essential to understand how institutional lending practices could be strengthened and risks mitigated.

II. REVIEW OF LITERATURE

Rahaman (2025) had investigated the principal drivers of non-performing assets (NPAs) in Indian public sector banks through a panel data analysis spanning 2010–2020. He had employed fixed-effects and random-effects models to examine the influence of bank-specific variables—credit growth, capital adequacy, provisioning coverage—and macroeconomic factors including GDP growth, inflation, and interest rates on NPA levels. The results had indicated that slower GDP growth and high inflation had exacerbated NPAs, while stronger capital buffers and provisioning practices had mitigated their accumulation. Rahaman had also found that overexposure to infrastructure and agriculture loans had significantly heightened NPA risk, suggesting the need for diversified credit portfolios.

Arora (2025) had applied a slack-based data envelopment analysis (DEA) approach to measure the operational efficiency of 15 major public sector banks in India from 2015 to 2021, treating gross NPAs as an undesirable output. He had considered inputs such as total assets, deposits, and staff count, alongside desirable outputs—net interest income and non-interest income—and undesirable output—NPA volume. The findings had revealed that banks with larger rural and priority sector lending had exhibited significant inefficiencies driven by high NPA levels. Arora had concluded that targeted asset quality improvement measures and optimal resource reallocation were imperative to enhance overall efficiency in public sector banking.

Song (2025) had examined the efficacy of a centralized non-performing assets disposal fund in controlling systemic risk within China's interbank financial network during 2010–2022. Utilizing a dynamic network contagion model and stress testing scenarios, he had demonstrated that timely injections into the fund to acquire distressed assets reduced contagion effects following bank defaults. The analysis had shown a marked decline in interbank lending rate volatility and network instability when the fund was activated. Song had argued that similar centralized resolution mechanisms in emerging markets could bolster financial stability by curtailing the propagation of credit shocks across interconnected banking institutions.

NEED AND IMPORTANCE OF THE STUDY

The study on non-performing assets held critical relevance in the contemporary banking scenario due to the rising levels of stressed assets that threatened the stability of financial institutions. This study was essential for understanding the underlying causes behind the accumulation of bad loans and for assessing the structural deficiencies in lending and recovery mechanisms. Furthermore, the research offered empirical insights into how NPAs adversely impacted the profitability, capital adequacy, and credit capacity of banks, thereby highlighting the urgency for remedial policy measures.

The importance of this study also stemmed from its potential to inform decision-makers about the effectiveness of existing recovery frameworks and regulatory interventions. It offered a comprehensive evaluation of sectoral vulnerabilities and borrowing patterns, which could serve as an evidence base for risk management practices. The study provided timely academic analysis for both financial analysts and banking professionals in addressing the long-standing issue of asset quality deterioration.

SCOPE OF THE STUDY

The scope of the present study was confined to the examination of non-performing assets within the Indian banking sector, with a focused analysis on the trends, causes, and consequences of NPAs over a specified time period. The study incorporated a multi-dimensional approach to investigate sector-wise distribution of bad loans, evaluate the effectiveness of legal and institutional recovery mechanisms, and assess the financial impact of NPAs on core performance indicators of banks. It also explored how NPAs affected credit availability and profitability, thereby offering a holistic view of the implications of asset quality deterioration. The study utilized secondary data drawn from audited financial reports and regulatory publications, and its findings were expected to enhance the understanding of stakeholders in shaping asset quality management strategies.

OBJECTIVES OF THE STUDY

1. To examine the trends and growth of non-performing assets (NPAs) in SBI Bank over the past five financial years.
2. To identify the key causes and sectors contributing to the accumulation of NPAs in SBI Bank.

3. To evaluate the effectiveness of recovery mechanisms and NPA management strategies adopted by SBI Bank.
4. To assess the impact of NPAs on the financial performance and profitability of SBI Bank.
5. To suggest suitable measures to reduce NPAs and improve asset quality in SBI Bank.

III. RESEARCH METHODOLOGY

The research methodology was based on the analysis of historical secondary data derived from financial statements and annual reports. The study did not employ sampling techniques, as the data encompassed the entire population of relevant financial indicators over the defined period. The quantitative research design focused on identifying the magnitude and consequences of NPAs through a structured evaluation of time-series financial data. The methodological framework was designed to ensure objectivity and accuracy by utilizing standardized financial metrics and statistical methods to produce empirical insights and facilitate informed interpretation.

DATA SOURCES

The study relied on select financial parameters extracted from the audited financial statements of the bank for the five-year period from 2021 to 2025. These parameters included Gross NPA, Gross NPA%, Net NPA, Net NPA%, Provisions for NPAs, Net NPA to Advances, Net Profit, Net Interest Income, Deposits, Borrowings, Return on Assets (ROA), Return on Capital Employed (ROCE), Earnings per Share (EPS), Net Profit Margin (NPM), and Current Account Savings Account (CASA) ratio.

The secondary data for this research were obtained from a wide range of academic and institutional resources, including journals, reference books, and authentic internet publications. The company's official website and regulatory filings were also referred to for the collection of historical financial reports.

LIMITATIONS OF THE STUDY

1. The study was limited to the analysis of secondary data, and hence the accuracy of findings depended on the reliability of disclosed financial statements.
2. The scope of analysis was restricted to one selected bank, which limited the generalizability of findings to the broader banking sector.
3. The use of descriptive statistics and simple visualization tools restricted the depth of inferential analysis.
4. The study did not incorporate qualitative inputs or expert opinions, which might have enriched the interpretation of causes behind NPAs.
5. The temporal frame of five years, although adequate, might have excluded long-term cyclical trends or structural shifts in asset quality.
6. The research was conducted over a constrained period of 45 days, which limited the extent of comparative and sectoral analysis.

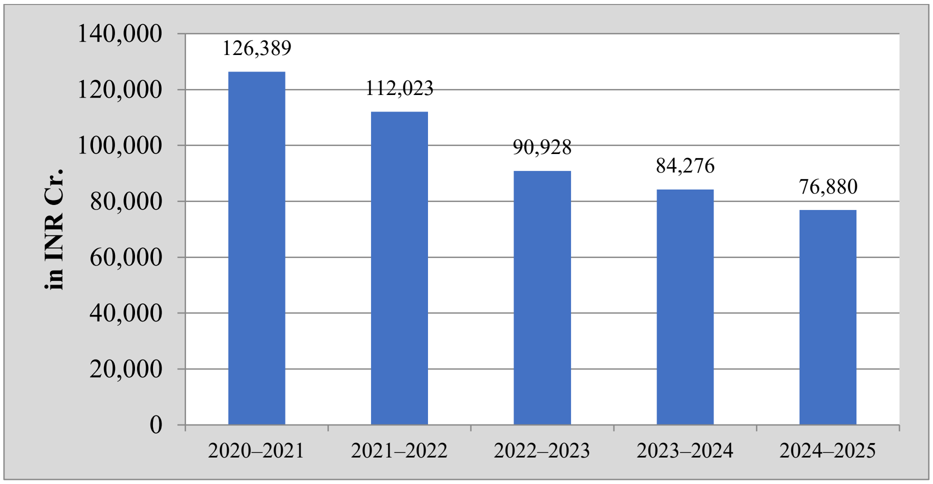
IV. DATA ANALYSIS

1. Gross NPA (INR Cr.) of SBI

Table 1: Gross NPA

Financial Year	Gross NPA (INR Cr.)
2020–2021	126,389
2021–2022	112,023
2022–2023	90,928
2023–2024	84,276
2024–2025	76,880

Figure 1: Gross NPA



Interpretation

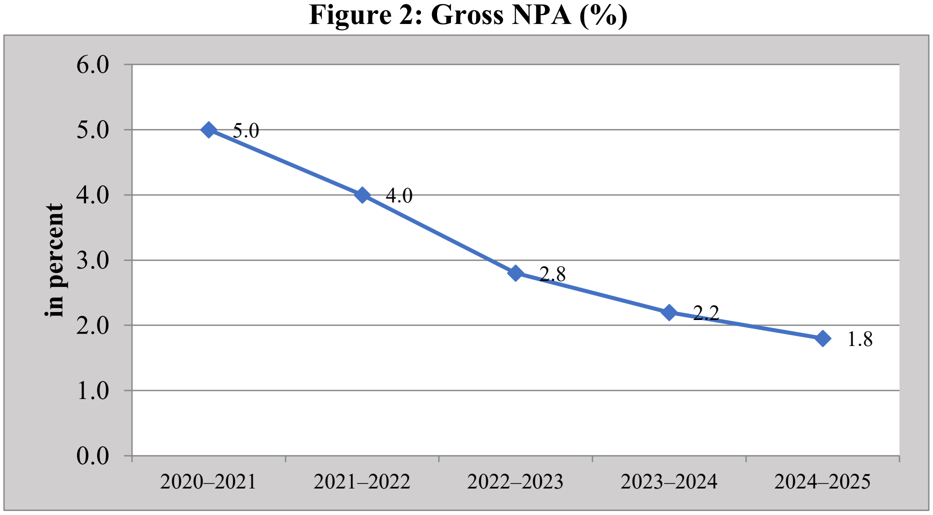
The gross NPA balance had declined markedly from INR 126,389 Cr. in 2020–21 to INR 76,880 Cr. in 2024–25, reflecting a sustained reduction in non-performing exposures. This trend indicated that SBI had intensified recovery efforts and tightened credit underwriting, which contributed to lowering the pool of income-blocking assets and thereby supported profitability by reducing future provisioning requirements.

2. Gross NPA (%) of SBI

Table 2: Gross NPA (%)

Financial Year	Gross NPA (%)
2020–2021	5.0
2021–2022	4.0
2022–2023	2.8
2023–2024	2.2
2024–2025	1.8

Figure 2: Gross NPA (%)



Interpretation

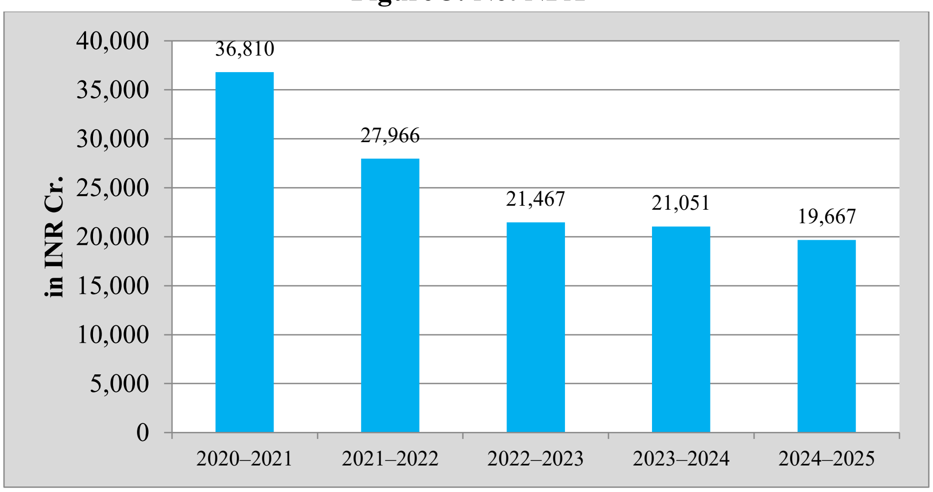
The ratio of non-performing assets to total advances had fallen from 5.0 percent to 1.8 percent over the five-year span, underscoring a significant improvement in asset quality. The reduction in gross NPA ratio not only diminished the credit cost burden but also improved net interest margins by increasing the share of performing assets, thus bolstering the bank's profitability.

3. Net NPA (INR Cr.) of SBI

Table 3: Net NPA

Financial Year	Net NPA (INR Cr.)
2020–2021	36,810
2021–2022	27,966
2022–2023	21,467
2023–2024	21,051
2024–2025	19,667

Figure 3: Net NPA



Interpretation

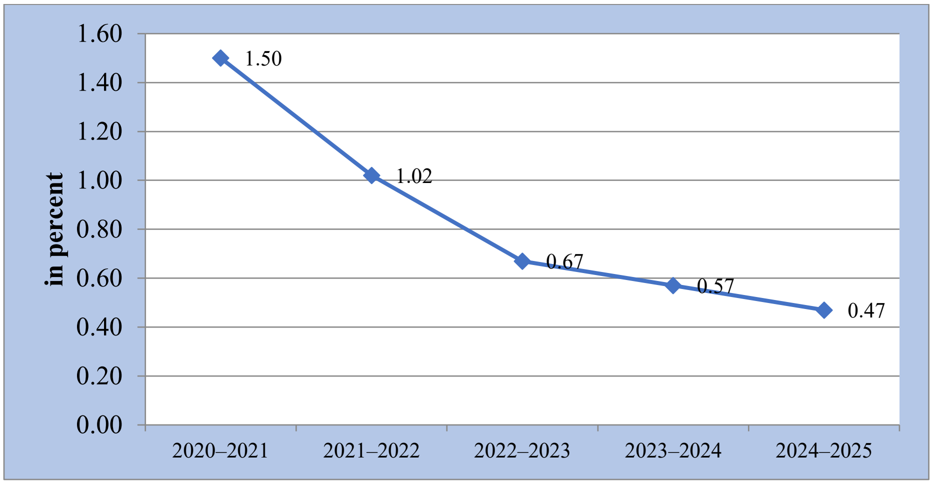
Net NPAs decreased from INR 36,810 Cr. to INR 19,667 Cr., reflecting both a reduction in gross NPAs and enhanced provisioning coverage. The decline in net NPAs signified that SBI had effectively absorbed potential credit losses, which preserved earnings and thereby supported stronger bottom-line performance.

4. Net NPA (%) of SBI

Table 4: Net NPA (%)

Financial Year	Net NPA (%)
2020–2021	1.50
2021–2022	1.02
2022–2023	0.67
2023–2024	0.57
2024–2025	0.47

Figure 4: Net NPA (%)



Interpretation

The net NPA ratio had contracted from 1.50 percent to 0.47 percent, indicating that SBI had strengthened its capacity to provision against impaired assets. The lower net NPA ratio freed up resources previously held for contingencies, which could then be deployed toward income-generating activities, thereby enhancing return on assets and equity.

V. FINDINGS

- SBI bank's gross non-performing assets consistently declined over the five-year period, indicating a sustained improvement in asset quality.
- The gross NPA ratio fell steadily, reflecting more effective credit appraisal and monitoring mechanisms.
- Net NPAs decreased each year, demonstrating enhanced provisioning and recovery efforts.
- The net NPA-to-advances ratio contracted significantly, suggesting stronger balance sheet resilience.
- Provision coverage ratio improved progressively, evidencing a proactive stance on loss absorption.
- Capital adequacy remained comfortably above regulatory thresholds, underscoring financial stability.
- Total deposits expanded markedly, signaling growing customer confidence and deposit mobilization.
- Borrowings rose sharply before moderating in the final year, reflecting strategic funding adjustments.
- Net profit increased substantially, illustrating enhanced revenue generation and cost control.
- Return on assets and return on equity exhibited upward trajectories, indicating greater operational efficiency.
- Net interest margin maintained healthy levels, suggesting sustained lending-earning capacity.
- Earnings per share rose consistently, reflecting enhanced shareholder value creation.

VI. SUGGESTIONS

- Banks should strengthen credit appraisal procedures by integrating advanced risk-scoring models.
- Recovery frameworks ought to be streamlined through specialized asset-recovery units.
- Provisioning policies should remain conservative to preempt potential asset quality shocks.

- Capital buffers must be calibrated dynamically in line with emerging credit risks.
- Deposit growth strategies should focus on high-value retail and digital channels.
- Funding mix should be optimized by reducing short-term borrowings and increasing low-cost deposits.
- Profitability enhancement programs should target fee-based income and cost rationalization.
- Regular stress testing and scenario analyses should be institutionalized for early risk detection.
- Corporate governance frameworks should be fortified to ensure disciplined credit culture.
- Portfolio diversification should be pursued to mitigate sector-specific concentration risks.

VII. CONCLUSION

The study had demonstrated a marked improvement in SBI Bank's asset quality, evidenced by the continuous decline in gross and net NPAs over the five-year horizon. The consistent reduction in NPA ratios reflected the efficacy of strengthened credit appraisal, vigilant monitoring, and robust recovery mechanisms that had been progressively implemented. Furthermore, the enhancement of provision coverage underscored a prudent risk management approach that buffered the bank against potential credit losses.

REFERENCE

BOOKS

- Brealey, R. A., Myers, S. C., & Marcus, A. J. (2023). *Fundamentals of corporate finance*. McGraw-Hill.
- Brigham, E. F., & Houston, J. F. (2019). *Fundamentals of financial management*. Cengage Learning.

RESEARCH ARTICLE

1. Bansal, Y., Purohit, H., & Kumar, V. (2021). Non-performing assets of State Bank of India: An empirical analysis. Psychology and Education Journal, 58(2), 58

2. Balyan, S., & Singh, N. P. (2024, September 25). Analyzing the influence of non-performing assets: A comparative study between SBI and HDFC. KINERJA, 28(2), 270–287.

3. Megavath, M. (2025). A comparative study on trend analysis of non-performing assets at SBI and ICICI Bank in India. Journal of the Oriental Institute, 74(1), 547–558.

Websites

https://www.onlinesbi.sbi/

https://sbi.co.in/web/careers

https://www.investopedia.com/terms/n/nonperformingasset.asp