

Impact of Non-Performing Assets on State Bank of India , Hyd – A STUDY

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ABSTRACT

This study explores the impact of Non-Performing Assets (NPAs) on the financial performance and operational efficiency of the State Bank of India (SBI) from 2021 to 2025. NPAs refer to loans where the borrower fails to repay the principal or interest for more than 90 days, causing a direct hit to a bank's profitability and lending capacity. The research highlights a significant decline in SBI's NPAs during the study period, alongside a steady increase in total advances, indicating improved credit management, recovery mechanisms, and asset quality. The NPA ratio dropped across all loan segments— personal, home, business, agricultural, and priority sector— demonstrating SBI's robust approach to reducing financial risk and enhancing operational strength. The study relies on both primary and secondary data, including interviews with SBI officials and analysis of bank reports. Key findings suggest that while SBI faced challenges related to rising NPAs in earlier years, the bank has successfully implemented strategies like tighter credit monitoring, improved legal recovery processes, and digital tools to manage and minimize NPAs effectively. In conclusion, the study emphasizes the importance of continuous monitoring and strong policy interventions in managing NPAs. It also reinforces that reducing NPAs is essential for ensuring financial health, public trust, and economic stability in India's banking sector.

KEY WORDS: Asset quality, Credit risk Financial health, Profitability, Recovery Strategies.

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INTRODUCTION

India, a developing country, has been progressing since independence with great support for the banking system in the country. The role of banks in the progress of the country is considered as a benchmark. For the high rate of capital Formation, the role of commercial banks has no other alternative. But yet Indian needs a great amount of development and growth for the time to come where again the banking system will become a milestone but

banking system has only one big issue that is Non-Performing Assets. In general, the non-performing assets are found more comparatively in the public sector banks in comparison to private banks because of liberal rules for the debt recovery. or the debt recovery.

Nowadays the RBI has issued the extent but not all together. In the present paper a study is conducted to check the NPA's of State Bank of India during 2021 to 2025 and suggestions to reduce the NPA's has also been drawn.

REVIEW OF LITERATURE

1.Barot (2015) emphasized on measuring the relationship between net NPA with net advances of selected PSBs of India. The study has analyzed data of eight financial years i.e. 2006-07 to 2013- 14. The paper concluded that there is significant difference between performances of Net NPA to Net Advance Ratio in banking sector.

2.Rao and Patel (2015) emphasized to analyze and interpret the NPA management from year 2009- 13 of Public Sector, Private Sector and Foreign Banks. The study used NPA related ratios, Least Square Method and ANOVA test. The paper revealed that ratio of Gross NPA to Gross Advances for public, private and foreign banks do not have significant difference between 2009-13 and estimated Gross NPA for 2014 is more in public banks as compared to private and foreign banks.

3.Satpal (2014) reported that “NPA as an alarming threat sending distressing signals on sustainability and tolerability of the affected banks. A high level of NPAs suggests high probability of a large no. of credit defaults that affect the profitability and net worth of banks and also erodes the value of the asset.”

4.Gaha and Neha (2014) reported that “NPA of Public Sector Banks is increasing in Non priority sector, so banks should adopt proper procedure to reduce its NPA and PSBs should try to develop customized products for meeting consumer needs and facing competition from other banks.

5. Ganesan and Santhanakrishnan (2013) says that sound financial position of banks depends upon the recovery of loans or its level of NPAs. The study emphasized on evaluating the NPA of SBI since 2002. The analytical exercise was carried out by secondary data collected from SBI Annual Reports and RBI Bulletins and Primary data in form of pre-structured questionnaire. The study resulted in importance of credit management and suggested that Government of India should also take some steps to reduce NPA to considerable level.

NEED AND IMPORTANCE

A study on Non-Performing Assets (NPAs) have become a major issue in the banking sector, affecting profitability, credit flow, and overall financial stability. It also helps restore investor and depositor confidence

by promoting transparency and accountability in the financial system. It will help in identifying solutions for effective NPA management, support better policymaking, and strengthen investor confidence. Studying the impact of NPAs is essential to understand their root causes, trends, and consequences. It helps in identifying the sectors that are most vulnerable and the reasons behind frequent defaults. The study also adds value to academic research and provides insights into improving risk and credit management in banks

SCOPE OF THE STUDY

The present study is conducted to examine the sector wise NPA of SBI, thus the study is limited. Its scope is limited to the study of loan and advances granted in different sectors, NPA arising in different sectors, and to look over the trend of NPA over a period of 5 years from 2021 to 2025. As such the scope is limited to examining the trend of NPA for a period of 5 years.

OBJECTIVES OF THE STUDY

1. To analyze the NPA levels of State Bank of India.
2. To study the procedure and policies followed in SBI for Recovery of NPAs.
3. To identify the impact of Non-Performing Assets on Performance of SBI.
4. The study of gross and net NPA of SBI year 2021-2025.
5. To study the causes of NPA of Banks.

SOURCES OF DATA

SECONDARY DATA

- Secondary data This study is based on secondary information data from various sources, including: The study period is confined to a period of five years from 2021 to 2025. Different books, journals, reports were referred in order construct the framework of the study.

RESEARCH DESIGN

DESCRIPTIVE RESEARCH

This study adopts a descriptive research approach to examine the impact of Non-Performing Assets (NPAs) on the financial performance of the State Bank of India (SBI). Descriptive research is primarily used to observe, describe, and analyze the characteristics of a particular phenomenon without influencing it. In the context of this study, it allows for a detailed assessment of NPA trends, financial ratios, and performance indicators over a defined period,

helping to understand the nature, extent, and implications of bad loans on the bank's operations.

ANALYTICAL RESEARCH

In addition to its descriptive foundation, this study incorporates an analytical research approach to examine the causal relationship between Non-Performing Assets (NPAs) and the financial performance of the State Bank of India (SBI). Analytical research goes beyond mere description by interpreting data, identifying patterns, and evaluating relationships among variables. In this context, the study analyzes how fluctuations in NPA levels influence key financial indicators such as Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM), and Capital Adequacy Ratio (CAR).

TOOLS AND TECHNIQUES FOR ANALYSIS

The data collected was analyzed using:

1. Ratio Analysis
2. Trend Analysis
3. Correlation Analysis
4. Descriptive Statistics
5. Graphical Representation
6. Comparative Analysis

LIMITATIONS

- The analysis may focus on a particular bank or a few banks (like SBI), and may not reflect the situation across the entire banking industry.
- The study is primarily based on Secondary information.
- The study period of 45 days as endorsed by college.
- The study is restricted up to the date and data given by SBI Bank Constrained and it yearly reports.

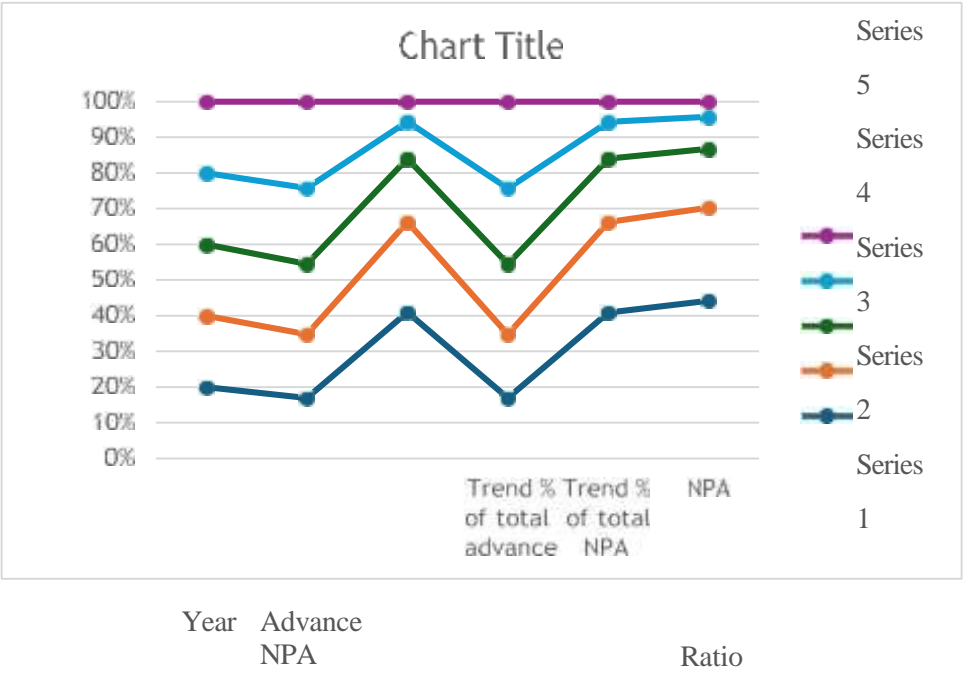
DATA ANALYSIS & INTERPRETATION

Table 1: NPA to Advance Ratio

Year	Advance	NPA	Trend % of total advance	Trend % of total NPA	NPARatio
2021	16213	596.72	100	100	3.6805033

2022	17034	369.53	105.06	61.93	2.169367148
2023	18893	259.57	116.53	43.50	1.373895093
2024	20257	150.53	124.94	25.23	0.74310115
2025	23218	82.45	143.21	13.82	0.355112413

Figure1: NPA to Advance Ratio



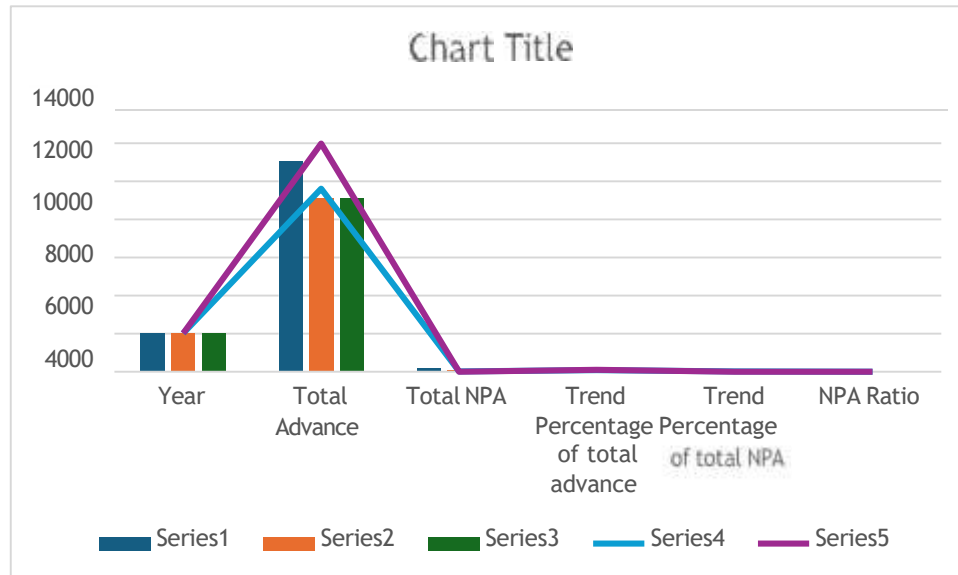
Interpretation:

From 2021 to 2025, the advances of the bank increased steadily from ₹16,213 crores to ₹23,218 crores, showing strong credit growth. During the same period, NPAs significantly declined from ₹596.72 crores to ₹82.45 crores, indicating improved recovery and better credit management. The trend percentage of advances rose to 143.21%, while the trend percentage of NPAs dropped sharply to 13.82%. The NPA ratio improved from 3.68% in 2021 to just 0.35% in 2025, reflecting a major enhancement in asset quality and financial efficiency

Table :2 NPA to Advance in case of personal loan

Year	Total Advance	Total NPA	Trend Percentage of total advance	TrendPercentage of total NPA	NPARatio
2021	11045	173.05	100	100	1.566772295
2022	9101	87.01	82.40	50.28	0.956048786
2023	9100	38.75	82.39	22.39	0.425824176
2024	9602	23.92	86.94	13.82	0.249114768
2025	11986	2.41	108.52	1.39	0.020106791

Figure:2 NPA to Advance in case of personal loan



Interpretation

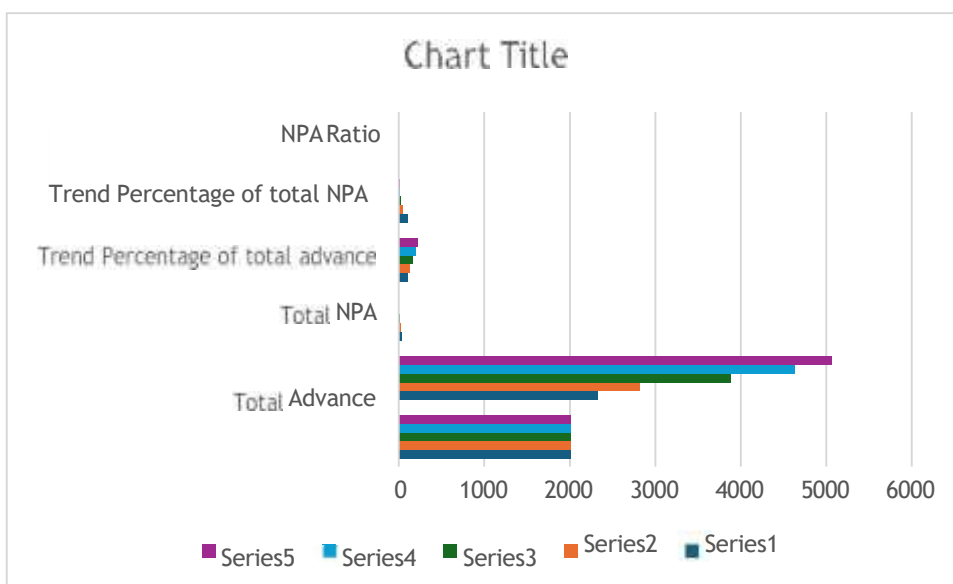
From 2021 to 2025, the State Bank of India (SBI) showed a significant improvement in asset quality. Total advances increased from ₹11,045 crore to ₹11,986 crore, while total NPAs dropped sharply from

₹173.05 crore to just ₹2.41 crore. The NPA ratio declined consistently from 1.57% in 2021 to a minimal 0.02% in 2025. These trends indicate strong credit management, effective recovery mechanisms, and improved lending practices by SBI over the five-year period.

Table: 3 NPA to Advance in case of Home loan

Year	Total Advance	Total NPA	Trend Percentage of total advance	Trend Percentage of total NPA	NPA Ratio
2021	2322	32.49	100	100	1.399224806
2022	2816	16.56	121.27	50.97	0.588068182
2023	3877	5.59	166.97	17.21	0.144183647
2024	4634	2.33	199.57	7.17	0.050280535
2025	5065	2.24	218.13	6.89	0.044225074

Figure:3 Showing NPA to Advance in case of Home loan



Interpretation

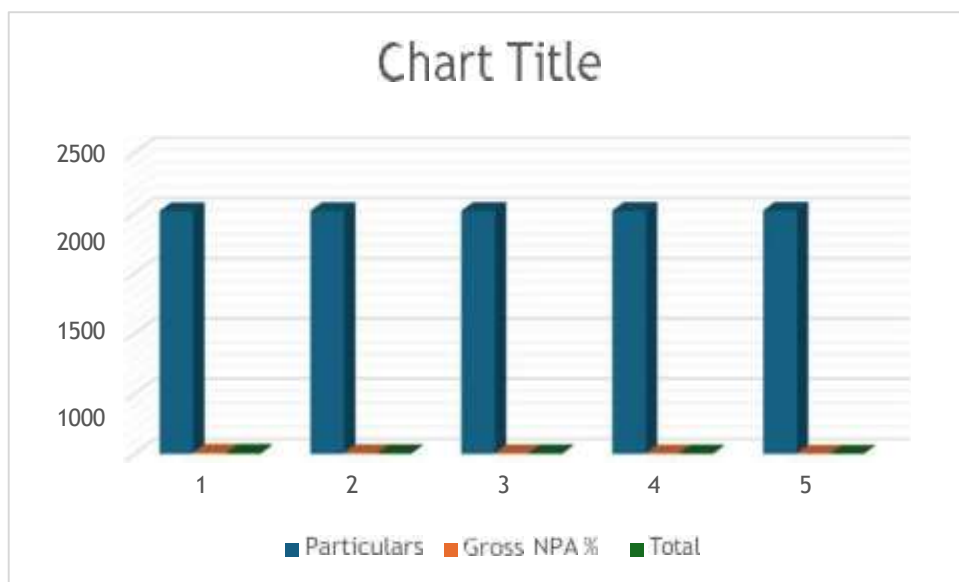
A steady growth in total advances, rising from ₹2,322 crore to ₹5,065 crore. Meanwhile, total NPAs decreased significantly from ₹32.49 crore to ₹2.24 crore. The NPA ratio fell from 1.39% to just 0.04%, indicating strong improvements in credit quality and recovery processes. The declining trend in NPAs,

despite growing advances, reflects SBI's effective risk management and enhanced loan monitoring systems during this period.

Table :4 Analysis of Gross NPA (%)

Particulars	2021	2022	2023	2024	2025
Gross NPA %	10.91	7.53	6.15	4.98	3.62
Total	10.91	7.53	6.15	4.98	3.62

Figure 4:Showing Analysis of Gross NPA (%)



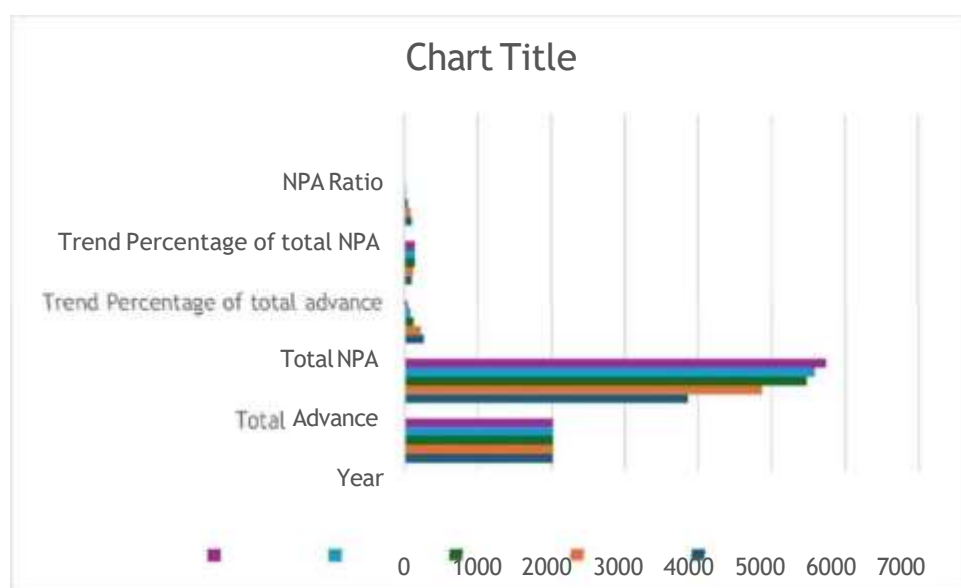
Interpretation

Gross NPA percentage witnessed a continuous and significant decline from **10.91%** in 2021 to **3.62%** in 2025. This steady reduction reflects the bank's enhanced efforts in **asset quality improvement**, including better credit appraisal, stricter recovery measures, and reduced fresh slippages. The trend indicates that SBI has been consistently strengthening its financial stability and lowering its exposure to risky or non-performing loans.

Table :5 Priority Sector NPA to Advance

Year	Total Advance	Total NPA	Trend Percentage of total advance	Trend Percentage of total NPA	NPA Ratio
2021	3854.71	254.72	100	100	6.60802
2022	4864	215.11	126.18	84.45	4.422492
2023	5476.93	121.93	142.08	47.87	2.226247
2024	5580.68	76.96	144.78	30.21	1.379043
2025	5733.7	43.26	148.75	16.98	0.754487

Figure: 5 Showing Priority Sector NPA to Advance



Interpretation

Total advances steadily increased from ₹3,854.71 crore to ₹5,733.7 crore, indicating consistent growth in lending operations. In contrast, **total NPAs** declined sharply from ₹254.72 crore to ₹43.26 crore. This resulted in a substantial drop in the **NPA ratio**, which fell from **6.60% in 2021** to **0.75% in 2025**. The decreasing trend in NPAs alongside growing advances reflects the bank's improved credit management, efficient recovery mechanisms, and strengthened financial discipline over the five-year period.

Table:6 NPA to Advance in case of Business loan

Year	Total Advance	Total NPA	Trend Percentageof total advance	Trend Percentageof total NPA	NPA Ratio
2021	321	50.89	100	100	15.85358
2022	336	29.16	104.67	57.3	8.678571
2023	287	8.69	89.41	17.08	3.027875
2024	257	10.44	80.06	20.51	4.062257
2025	308	0	95.95	0	0

Figure :6 Showing NPA to Advance in case of Business loan

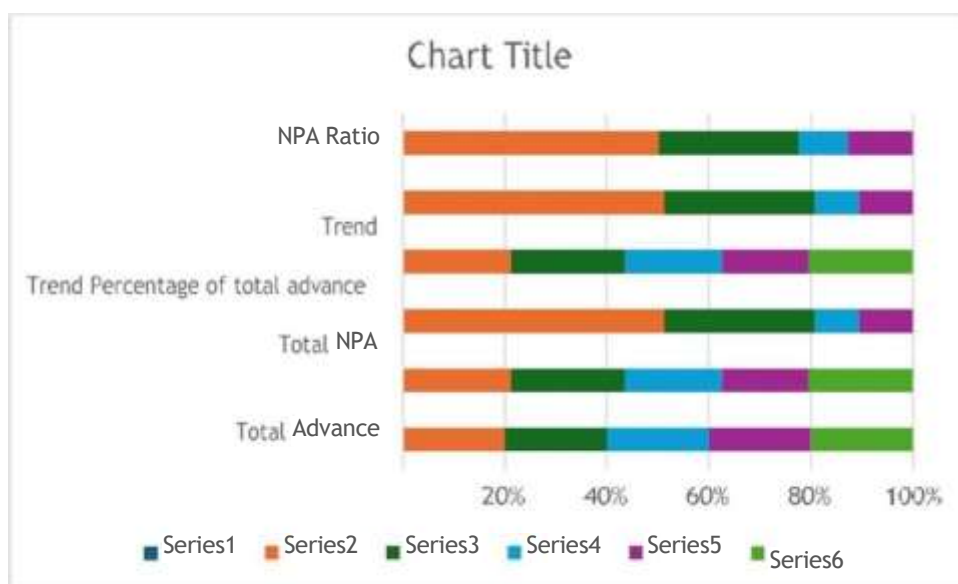


Table: 7 NPA to Advance in case of Agricultural loan

Year	Total Advance	Total NPA	Trend Percentageof total advance	Trend Percentageof total NPA	NPA Ratio
2021	586	70.86	100	100	12.09215
2022	581	90.69	99.15	127.98	15.60929
2023	491	118.24	83.79	166.86	24.08147
2024	468	39.77	79.86	56.12	8.497863
2025	449	44.83	76.62	63.27	9.98441

Interpretation

Total Advances gradually declined from ₹586 crore to ₹449 crore, indicating a slight contraction in lending activity. However, **Total NPAs** showed considerable fluctuation, rising sharply from ₹70.86 crore in 2021 to ₹118.24 crore in 2022, before dropping to ₹44.83 crore by 2024. The **NPA Ratio** peaked at **24.08% in 2020**, signaling a period of financial stress, but later reduced to **9.98%** in 2024, reflecting recovery and improved asset quality. The trend percentages reinforce this volatility in NPAs and indicate SBI's efforts toward NPA resolution in the later years of the period.

FINDINGS

- Between 2021 and 2025, advances grew from ₹16,213 Cr to ₹23,218 Cr, while NPAs dropped from ₹596.72 Cr to ₹82.45 Cr. This shows better credit growth, strong recovery, and improved asset quality.
- From 2021 to 2025, SBI's advances rose while NPAs sharply declined. The NPA ratio dropped from 1.57% to 0.02%, showing strong credit and recovery performance.
- From 2021 to 2025, SBI's advances grew from ₹2,322 Cr to ₹5,065 Cr, while NPAs dropped from ₹32.49 Cr to ₹2.24 Cr. The NPA ratio fell to 0.04%, showing strong credit quality and effective risk management.
- From 2021 to 2025, SBI's gross NPA percentage declined from 10.91% to 3.62%, indicating improved asset quality. This reflects better credit appraisal, stronger recovery efforts, and reduced slippages.
- From 2021 to 2025, total advances rose from ₹3,854.71 Cr to ₹5,733.7 Cr, while NPAs fell from ₹254.72 Cr to ₹43.26 Cr. This led to a drop in the NPA ratio from 6.60% to 0.75%, reflecting strong credit control and recovery efforts.
- From 2021 to 2025, NPAs dropped from ₹50.89 Cr to ₹0, and the NPA ratio fell from 15.85% to 0%, showing strong asset performance and recovery efforts.

SUGGESTIONS

- Proper emphasis must be given in recovery of NPA. The branch must take proper steps at the early stage i.e. once the asset becomes sub standard so as to strengthen its NPA recovery.
- Proper pre and post evaluation of loan must be made in case of agriculture and allied activities so that the loans becoming NPA can be reduced in this sector.
- SBI should strengthen its loan recovery process through dedicated recovery teams and stricter enforcement of recovery laws like SARFAESI and IBC.
- Regular monitoring of loan accounts and early warning systems should be implemented to identify and act on signs of default at an early stage.

CONCLUSION

Non-performing Asset is a burning problem affecting the banking sector. It affects profitability, liquidity and solvency, in addition posing threat on quality of asset and survival of banks. It still remains a major concern for banks in India. In this study we have analysed the data related to NPA of SBI to a period of 2021 to 2025. It was found that there is a decline in the NPA of the bank over the study period. Considering the NPA on different types of Loans there is stiff decline in the NPA over the period except the Agricultural Sector where the Bank is facing problem in recovery of debts.

Among the two sectors Priority Sector Contributed more than 3 times of the NPA arising from non Priority sector. Regarding the recovery of the NPA the banks has failed to recover leading to increase in loss asset and writing off of loans. To conclude it can be said that the SBI, is performing efficiently in its loan Management Process leading to reduce in NPA over the Period and is also found to be performing better than the performance of SBI as a whole in reducing its NPA. But they must consider the recovery of NPA and the issue relating to agricultural loan for reducing the loss suffered by the Bank due to NPA to the least possible extent.

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