

A Study on Comprehensive Non-Performing Assets in State Bank of India with Trend Analysis

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Abstract: *This study examines the trends and management of Non-Performing Assets (NPAs) in India and Tamil Nadu, with reference to the banking system regulated by the Reserve Bank of India. NPAs represent loans where the borrower fails to repay interest or principal within a specified period, affecting the profitability and stability of banks. The study focuses on the classification, growth, and reduction of NPAs over the last decade, highlighting their impact on the financial performance of banks. The analysis reveals that NPAs in India increased significantly between 2014 and 2018, reaching a peak due to factors such as weak credit appraisal, economic slowdown, and excessive lending to risky sectors. A similar trend was observed in Tamil Nadu, although the magnitude was comparatively lower. After 2018, both India and Tamil Nadu experienced a steady decline in NPA levels, reflecting improvements in loan monitoring, recovery mechanisms, and regulatory measures. The study also emphasizes the role of priority sector lending in economic development, as banks are required to provide credit to sectors such as agriculture, small-scale industries, and self-employed individuals. While this supports inclusive growth, it also increases the risk of NPAs due to the financial vulnerability of these sectors. Overall, the findings indicate that effective risk management practices, strict regulatory policies, and technological advancements in banking have contributed to the reduction of NPAs in recent years. The study concludes that continuous monitoring, responsible lending, and strong recovery systems are essential for maintaining a healthy banking sector and ensuring sustainable economic growth.*

Keywords: Non-Performing Assets (NPA), Banking Sector, Reserve Bank of India, Loan Management, Credit Risk, Asset Quality

1. Introduction

In India, the concept of Non-Performing Assets (NPAs) emerged after the financial sector reforms implemented based on the recommendations of the **Narasimham Committee Report (1991)**. A Non-Performing Asset is generally defined as a loan or advance in which the interest payment or repayment of the principal amount remains overdue for a specified period. Initially, as per the Narasimham Committee (1991), an asset was classified as non-performing if interest remained unpaid for four quarters (180 days). Later, this period was reduced, and from March 1995 onwards, an asset was considered an NPA if interest remained unpaid for more than 90 days.

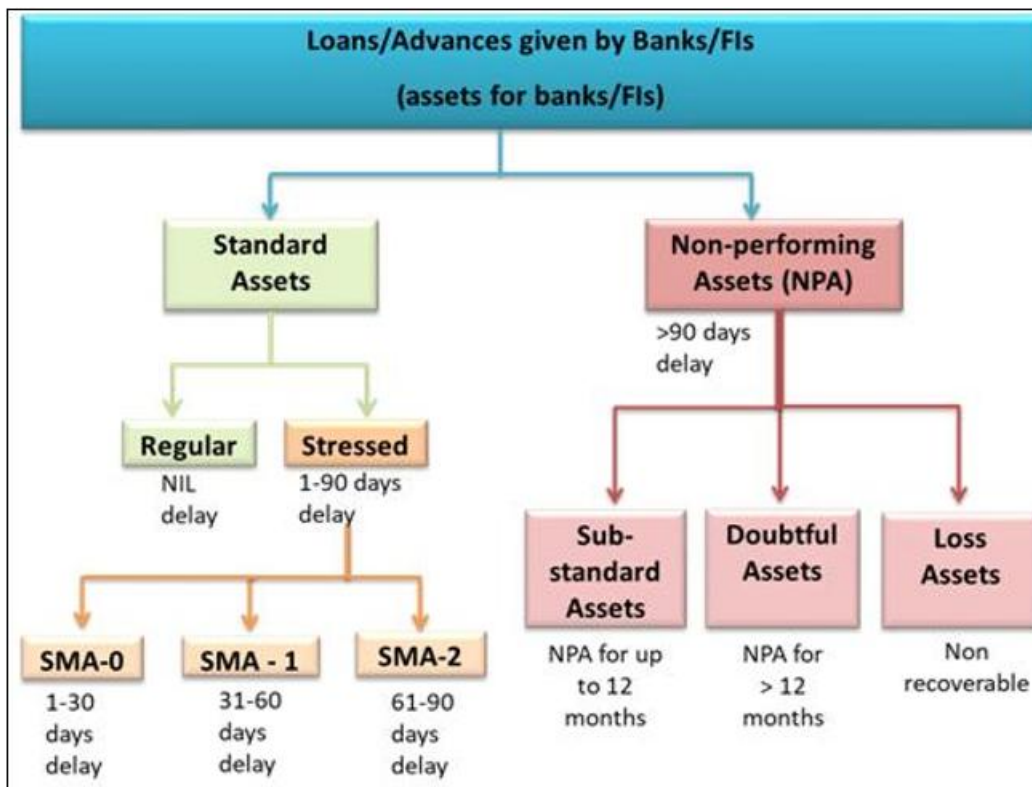
Further, with effect from March 31, 2004, a loan or advance is classified as an NPA under the following conditions:

- Interest and/or principal remains overdue for more than 90 days in the case of term loans.
- The account is treated as “out of order” for more than 90 days in the case of overdraft or cash credit accounts.
- Bills purchased or discounted remain overdue for more than 90 days.

- In agricultural loans, interest and/or principal remains overdue for two crop seasons, but not exceeding two and a half years.
- Any other amount due remains unpaid for more than 90 days in other types of accounts.

Priority Sector Lending (PSL) has become a key element of India's banking policy, especially after the nationalization of banks. Access to affordable and adequate credit is essential for the economic development of a country. Banks play a vital role in supporting economic growth by providing financial resources to sectors that generate employment and contribute significantly to Gross Domestic Product (GDP).

To ensure balanced development, the Government of India, through the Reserve Bank of India, mandates banks to provide credit to priority sectors that are often underserved and unable to afford high interest rates. These sectors include agriculture, small-scale industries, small businesses, export activities, and transport operators. Over time, additional sectors such as retail trade, self-employed professionals, education, housing for weaker sections, and consumption loans have also been included under priority sector lending.



Types of NPA

1) Standard Assets:

Standard Assets are non-performing assets that have been due for anywhere from 90 days to 12 months. Among non-performing assets, they are considered to be of normal risk levels.

2) Sub - Standard Assets:

The non-performing assets that are due for more than twelve months are known as sub-standard assets. In comparison to standard assets, they pose significantly higher risk levels.

3) Doubtful Debts:

Non -Performing assets that are due for a minimum of 18 months period are termed doubtful debts. Lenders have grave doubts about the intention and ability of such borrowers to repay their debts.

4) Loss Assets:

Loss assets are non-performing assets with such extended periods that lenders have given up hope that they would be able to recover their money they are forced to write it off as a loss on their balance sheets.

2. Review of Literature

Jaynal Ud-din Ahmed's (2010) study reveals that the recovery position in agriculture and allied activities in comparison to other priority sectors is discouraging in three districts under consideration. With the increase of priority sector lending, there has been corresponding increase in the volume of NPAs. However, it cannot be said that PSL is the only factor in enhancing the volume of NPAs in the area under study, other factors like credit deposit ratio, ratio of

NPA to advances, capital adequacy ratio are equally responsible for increased NPAs.

Najmi shabbier et.al (2014) in their article examined the problem of Non-performing assets in priority sector advances in India. The main objective of their paper is to compare the level of NPAs in priority sector in public and private sector banks in India. The researcher concluded that a comparison of NPAs in priority sector between public and private sector banks shows that NPAs have been more in public sector banks as compared to private sector banks. This is because advances by public sector banks to the priority sector banks were high, whereas in Non-priority sector NPAs has been more in private sector banks; this is because private sector banks preferred to lend more to the non-priority sector than the priority sector.

Rajesh Desai (2017), Priority sector contains eight subsectors which are broadly grouped into agriculture, industry, service and personal & others. The study concludes that every subsector is not equally loss making rather service sector brings positive results for banks. Industrial sector is proved to be one of major contributors to priority sector NPA as manufacturing has not developed in its full swing in the country. The study can provide insights to banks and regulators to strengthen the credit norms to reduce NPA in risky sectors and promote more funding in the sector which gives favorable outcome.

Dolly Guar (2019) in his article examined that Non-performing assets in India: Priority Vs Non-priority sector lending. The researcher concluded that NPAs of priority sector have grown at a higher rate in private sector banks in contrast to its public counterparts. Also, the results show that NPAs in priority sector are actually higher than average NPAs in both priority and non-priority sectors taken together.

3. Objective of the study

- To know the conceptual framework of NPA in Priority sector lending in India.
- To analyze the NPA in Priority sector lending in India.
- To make appropriate suggestions to avoid future NPAs and manage existing NPAs in banks.

4. Research Methodology

The study is descriptive and analytical in nature. It describes the NPA trends of SBI and analyzes their growth, decline, and impact on banking performance. The study is based on secondary data, collected from reliable sources such as Annual reports of SBI, Publications of Reserve Bank of India, Banking journals, articles, and reports and Official websites and financial databases. The study covers a period of 10 years (2014–2023) to analyze the trend of NPAs over time.

5. Data Analysis and Interpretation

Table 1.1: NPA during 2014 to 2023

Year	Gross NPA (₹ Lakh Crore)	Growth Rate (%)
2014	2.27	—
2015	2.79	22.91
2016	5.4	93.55
2017	7.92	46.67
2018	10.36	30.81
2019	9.33	-9.94
2020	8.99	-3.64
2021	8.35	-7.12
2022	6.97	-16.53
2023	5.71	-18.08

Source: Annual Report of RBI during 2014 to 2023

The table shows that the total NPA amount in India increased sharply from ₹2.27 lakh crore to in 2014 to a peak of ₹10.36 lakh crore in 2018. This rapid growth, especially in 2016 (93.55%), indicates a severe rise in bad loans due to poor credit appraisal and economic slowdown. After 2018, the NPA amount started declining steadily. From 2019 onwards, the growth rate became negative, showing improvement in loan recovery and better banking practices. Measures such as stricter regulations, improved monitoring, and recovery mechanisms helped reduce NPAs. By 2023, the NPA amount reduced to ₹5.71 lakh crore, indicating a significant recovery in the banking sector. Overall, the trend reflects that although NPAs were a major challenge earlier, effective actions by banks and the Reserve Bank of India have improved the situation in recent years.

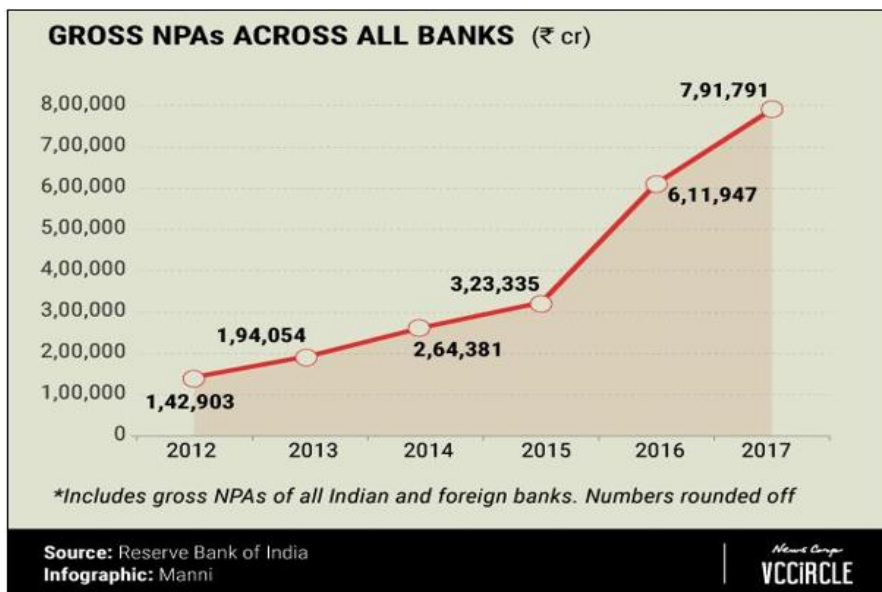
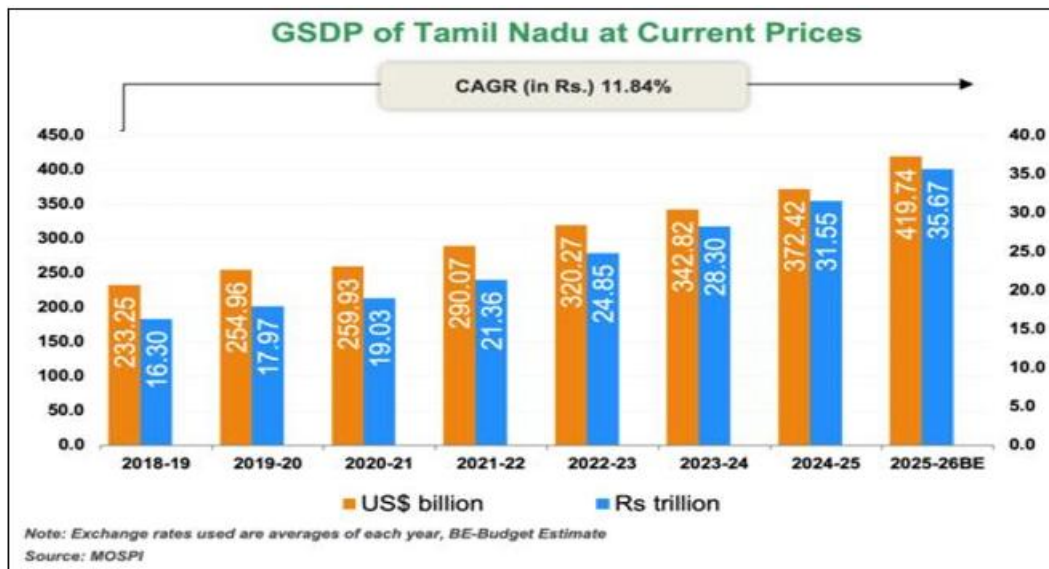


Figure 1.1: Gross NPA

Table 1.2: NPA Amount with Growth Rate - India vs Tamil Nadu

Year	India NPA (₹ Lakh Crore)	Growth % (India)	Tamil Nadu NPA (₹ Crore)	Growth % (TN)
2014	2.27	—	18,000	—
2015	2.79	22.91	22,000	22.22
2016	5.4	93.55	38,000	72.73
2017	7.92	46.67	55,000	44.74
2018	10.36	30.81	72,000	30.91
2019	9.33	-9.94	68,000	-5.56
2020	8.99	-3.64	65,000	-4.41
2021	8.35	-7.12	61,000	-6.15
2022	6.97	-16.53	52,000	-14.75
2023	5.71	-18.08	45,000	-13.46

Source: Annual Report of RBI during 2014 to 2023



- Both India and Tamil Nadu show very high growth in NPAs between 2015–2018, indicating a rapid increase in bad loans.
- The highest growth is seen in 2016, showing a major rise due to stricter asset recognition and economic slowdown.
- After 2018, both show negative growth, meaning NPAs started declining.
- Tamil Nadu follows a similar pattern to India, but with slightly lower fluctuations.
- By 2023, both India and Tamil Nadu show significant improvement in asset quality, reflecting better recovery and loan management practices.

6. Conclusion

The study on Non-Performing Assets (NPAs) in India and Tamil Nadu, with special reference to State Bank of India, highlights the changing trend and impact of NPAs on the banking sector over the last decade. The analysis shows that NPAs increased sharply between 2014 and 2018, reaching a peak due to factors such as weak credit appraisal, excessive lending to risky sectors, and economic slowdown. This period reflected a high level of financial stress in the banking system. However, from 2019 onwards, NPAs started declining steadily both at the national level and in Tamil Nadu. This improvement can be attributed to effective measures taken by the Reserve Bank of India, including stricter lending norms, better monitoring systems, implementation of recovery mechanisms, and increased use of digital banking technologies. The negative growth rate of NPAs in recent years indicates a positive shift towards improved asset quality and financial discipline.

The study also reveals that Tamil Nadu follows a trend similar to the overall Indian banking sector, although at a comparatively lower magnitude. This indicates that regional banking performance is closely linked with national financial policies and economic conditions. In conclusion, while NPAs were a major challenge in the past, the banking sector has shown significant recovery due to strong regulatory support and improved risk management practices. Continuous monitoring, responsible lending, and efficient recovery strategies are essential to maintain a healthy

banking system and ensure sustainable economic growth in the future.

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