

Evaluation of Indian Banking Sector Non-Performing Assets: An Impact Assessment

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Manuscript Received: Oct 22, 2026; Revised: Oct 23, 2026; Published: October 24, 2026

Abstract:

The Non-Performing Assets (NPAs) have remained one of the most important indicators of asset quality, profitability and financial stability in the Indian banking sector. Every year the NPAs are adding more and more. According to Reserve Bank of India (RBI) data, the Gross NPA (GNPA) ratio of total Banking sector is 8.2% in 2019-20 and it decreased to 2.2% in 2024-25. In 2019-20 the Net NPA is 2.8% in 2019-20 and reduced to 0.5% in 2024-25 due to written-off NPAs. This article examines the evaluation of NPAs in the Indian banking sector with particular reference to different bank groups; Public Sector Banks, Private Sector Banks, Foreign Banks, Small Finance Banks and Scheduled Commercial Banks. The significant reduction in NPAs in recent years indicates not an improvement in banking-sector asset quality, credit expansion, sector-specific stress, and changes in economic conditions but only written-off the NPAs. The main objective of this research article is to examine the trend of NPAs in the Indian banking sector and to analyse NPAs across major bank groups, particularly public sector, private sector foreign banks, Small Finance Banks and Scheduled Commercial Banks. For the evaluation purpose the researcher depends up on secondary data collected from RBI reports and taken assessment period as 2019-20 to 2024-25. It concluded with findings and suggestions.

Keywords: Non-Performing Assets, NPAS, Indian Banking Sector

1. Introduction

The banking sector occupies a central position in India's financial system by mobilising savings and transforming them into credit for households, businesses, agriculture and infrastructure. The effectiveness of this intermediation depends substantially on the quality of bank assets. When borrowers fail to meet repayment obligations and a loan remains overdue beyond the regulatory threshold, it becomes a Non-Performing Asset (NPA).

NPAs represent a critical challenge because a bank's loan portfolio is its principal income-generating asset. Persistent deterioration in asset quality can reduce interest income, increase provisioning requirements, weaken profitability and constrain the capacity of banks to provide additional credit.

India's experience demonstrates the magnitude of this relationship. According to Reserve Bank of India (RBI) data, the Gross NPA (GNPA) ratio of total Banking sector is 8.2% in 2019-20 and it decreased to 2.2% in 2024-25. In 2019-20 the Net NPA is 2.8% in 2019-20 and reduced to 0.5% in 2024-25 due to written-off NPAs.

The NPA problem, however, has not affected all bank groups equally. Public sector banks historically carried a much larger proportion of stressed assets, partly reflecting their substantial exposure to infrastructure, industry and priority sectors. Private sector banks have generally recorded lower NPA ratios, although some institutions experienced significant stress during particular periods. Foreign banks, Small Finance Banks and Scheduled Commercial Banks have a different business model and balance-sheet structure, making their NPA experience distinct from that of domestic banks. Therefore, a bank-group-wise analysis is essential for understanding the structural dimensions of India's NPA problem. The total written-off NPAs in the assessment period was Rs. 23,38,072 Crores. Based on the importance and impact of the NPAs in Indian banking sector, this research area was selected bank group wise for the research article.

2. Objectives of the Study

1. To examine the trend of NPAs in the Indian banking sector.
2. To analyse NPAs across major bank groups, particularly public sector, private sector foreign banks, Small Finance Banks and Scheduled Commercial Banks.

3. Evaluation of Non-Performing Assets Bank-Group-Wise in India

An NPA arises when a loan ceases to generate income for the bank according to applicable prudential norms. NPAs are commonly examined through two important measures, Gross NPA measures the total amount of loans classified as non-performing before adjusting for provisions and Net NPA therefore provides a better indication of the residual credit risk after considering provisions. The distinction is important because a bank may have a relatively high stock of gross NPAs but substantially lower net NPAs if it has created adequate provisions. The NPA problem has multiple dimensions rather than a single cause. The major causes are weak credit appraisal; Economic slowdown; Infrastructure delays; corporate leverage; Sector-specific shocks; Governance problems and wilful default and diversion of funds. There is a need to evaluate the NPAs of Indian banking sector.

A. Indian Banking Sector Non-Performing Assets: Table 1 explains about the Indian Banking Sector Non-Performing Assets Rs. In Crores during 2019-20 to 2024-25. The Gross NPAs are Rs. 8,99,803 crores in 2019-20 and decreased to Rs 7,43,653 crores in 2021-22 and decreased to Rs. 4,31,634 crores in 2024-25. The Net NPAs are Rs. 2,89,370 crores in 2019-20 and decreased to Rs 2,04,226 crores in 2021-22 and decreased to Rs. 95,385 crores in 2024-25.

Table 1: Indian Banking Sector Non-Performing Assets during 2019-20 to 2024-25 (Rs. In Crores)

Item	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Gross NPAs	8,99,803	8,35,138	7,43,653	5,71,546	4,80,818	4,31,634
Net NPA	2,89,370	2,58,050	2,04,226	1,35,320	1,06,745	95,385
Gross NPAs as percentage of gross advances	8.2	7.3	5.8	3.9	2.7	2.2
Net NPAs as percentage of Net advances	2.8	2.4	1.7	0.9	0.6	0.5

Source: RBI Annual Reports and Trend and progress of Indian banking in India 2019-2025

The Gross NPAs as percentage of gross advances are 8.2% in 2019-20 and decreased to 5.8% in 2021-22 and decreased to 2.2% in 2024-25. The Net NPAs as percentage of gross advances are 2.8% in 2019-20 and decreased to 1.7% in 2021-22 and decreased to 0.5% in 2024-25.

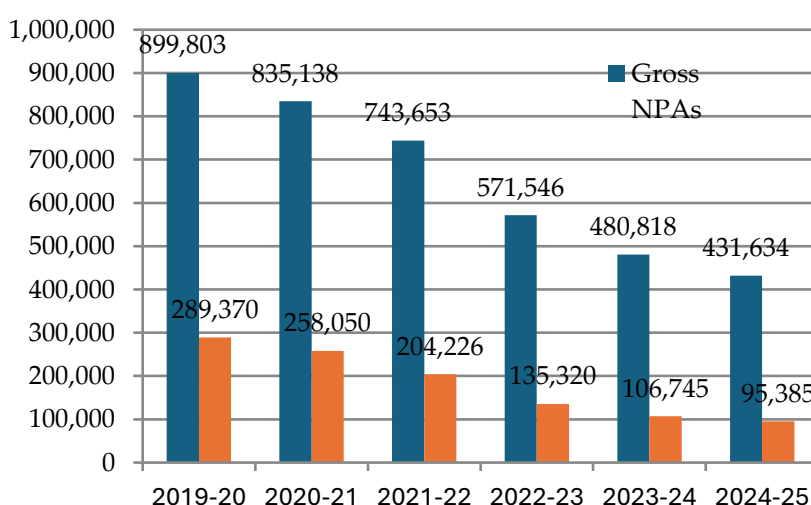


Figure 1: Indian Banking Sector Non-Performing Assets (Rs. In Crores)

B. Non-Performing Assets by Public Sector Banks:

Public sector banks have historically been at the centre of India's NPA problem. Their large balance sheets and extensive exposure to: infrastructure, power, steel, mining, construction, large corporate, agriculture and priority sectors made them particularly exposed to systemic credit stress. During the peak of the NPA cycle, PSBs accounted for a substantial proportion of the banking system's stressed assets. The subsequent reduction in NPAs has significantly strengthened the balance sheets of PSBs.

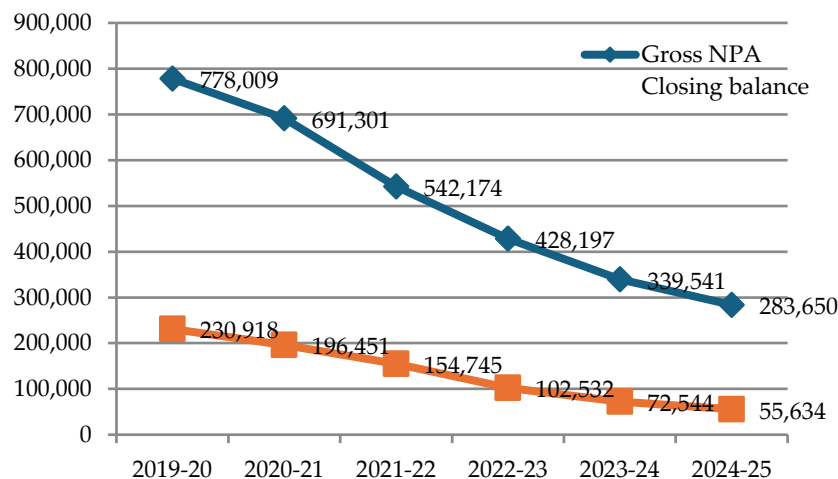
Table 2: Non-Performing Assets by Public Sector Banks (PSBs) during 2019-20 to 2024-25 (Rs. In Crores)

Item	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Opening Balance	7,17,850	5,46,590	6,16,616	5,42,174	4,28,197	3,39,541
Addition in the year	2,38,464	2,78,711	1,39,905	98,291	84,435	82,762
Reduction in the year	1,78,305	1,34,000	2,14,347	2,12,269	1,73,091	1,38,653
Recovered	0	0	56,959	61,195	43,018	33,630
Upgradtions	0	0	37,675	23,084	17,558	13,847
Written-off	1,78,305	1,34,000	1,19,713	1,27,990	1,12,515	91,176
Gross NPA Closing balance	7,78,009	6,91,301	5,42,174	4,28,197	3,39,541	2,83,650
Net NPAs	2,30,918	1,96,451	1,54,745	1,02,532	72,544	55,634

Source: RBI Annual Reports and Trend and progress of Indian banking in India 2019-2025

Table 2 examine Non-Performing Assets by Public Sector Banks (PSBs) Rs. in crores during 2019-20 to 2024-25. The Opening Balance of PSBs Gross NPAs are Rs. 7,17,850 crores in 2019-20 and decreased to Rs 6,16,616 crores in 2021-22 and decreased to Rs. 3,39,541 crores in 2024-25. The Addition of PSBs Gross NPAs are Rs. 2,38,464 crores in 2019-20 and decreased to Rs 1,39,905 crores in 2021-22 and decreased to Rs. 82,762 crores in 2024-25. The Reduction of PSBs Gross NPAs are Rs. 1,78,305 crores in 2019-20 and decreased to Rs 2,14,347 crores in 2021-22 and decreased to Rs. 1,38,653 crores in 2024-25. The Closing balance of PSBs Gross NPAs are Rs. 7,78,009 crores in 2019-20 and decreased to Rs 5,42,174 crores in 2021-22 and decreased to Rs. 2,83,650 crores in 2024-25.

The balance of PSBs Net NPAs are Rs. 2,30,918 crores in 2019-20 and decreased to Rs 1,54,745 crores in 2021-22 and decreased to Rs. 55,634 crores in 2024-25. The Written-off of PSBs NPAs are Rs. 1,78,305 crores in 2019-20; Rs. 1,34,000 crores in 2020-21; Rs. 1,19,713 crores in 2021-22; Rs. 1,27,990 crores in 2022-23; Rs. 1,12,515 crores in 2023-24 and Rs. 91,176 crores in 2024-25

**Figure 2: Non-Performing Assets by Public Sector Banks (PSBs) (Rs. In Crores)**

C. Non-Performing Assets by Private Sector Banks:

Private sector banks generally experienced lower aggregate NPA ratios than PSBs during the peak stress period, although the sector was not immune from asset-quality problems. Their NPA experience reflects corporate credit exposure; retail credit; MSME lending; unsecured lending; consumer credit and sector-specific risks. The expansion of retail and digital lending has altered the composition of credit risk. Consequently, monitoring asset quality cannot focus exclusively on traditional corporate NPAs. Private Banks have also generally placed considerable emphasis on credit appraisal, technology-enabled monitoring and risk-based pricing.

Table 3: Non-Performing Assets by Private Sector Banks (PVBs) during 2019-20 to 2024-25 (Rs. In Crores)

Item	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Opening Balance	1,83,604	2,01,335	1,97,508	1,80,769	1,25,241	1,29,164
Addition in the year	1,31,249	1,03,625	1,25,834	1,10,064	1,16,801	1,21,735
Reduction in the year	51,335	38,824	1,42,559	1,65,619	1,12,852	1,18,224
Recovered	0	0	34,139	40,447	25,794	29,320
Upgradtions	0	0	55,333	41,225	38,856	30,360
Written-off	53,949	69,995	53,087	83,947	48,202	58,544
Closing balance	2,09,568	2,00,141	1,80,782	1,25,214	1,29,164	1,32,674
Net NPAs	55,746	55,809	43,733	29,507	31,594	35,069

Source: RBI Annual Reports and Trend and progress of Indian banking in India 2019-2025

Table 3 denotes Non-Performing Assets by Private Sector Banks (PVBs) Rs. in crores during 2019-20 to 2024-25. The Opening Balance of PVBs Gross NPAs are Rs. 1,83,604 crores in 2019-20 and increased to Rs 1,97,508 crores in 2021-22 and decreased to Rs. 1,29,164 crores in 2024-25. The Addition of PVBs Gross NPAs are Rs. 1,31,249 crores in 2019-20 and decreased to Rs 1,25,834 crores in 2021-22 and decreased to Rs. 1,21,735 crores in 2024-25. The Reduction of PVBs Gross NPAs are Rs. 51,335 crores in 2019-20 and increased to Rs 1,42,559 crores in 2021-22 and decreased to Rs. 1,18,224 crores in 2024-25. The Closing balance of PVBs Gross NPAs are Rs. 2,09,568 crores in 2019-20 and decreased to Rs 1,80,782 crores in 2021-22 and decreased to Rs. 1,32,674 crores in 2024-25.

The balance of PVBs Net NPAs are Rs. 55,746 crores in 2019-20 and decreased to Rs 43,733 crores in 2021-22 and decreased to Rs. 35,069 crores in 2024-25. The Written-off of PVBs NPAs are Rs. 53,949 crores in 2019-20; Rs. 69,995 crores in 2020-21; Rs. 53,087 crores in 2021-22; Rs. 83,947 crores in 2022-23; Rs. 48,202 crores in 2023-24 and Rs. 58,544 crores in 2024-25.

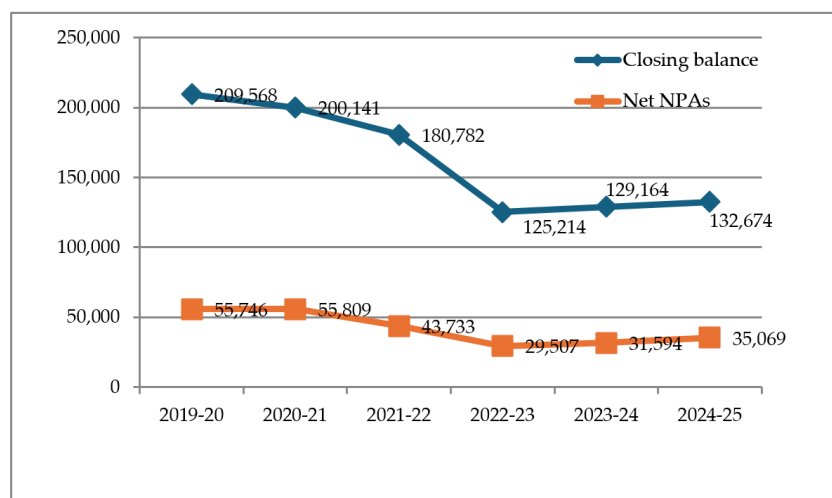


Figure 3: Non-Performing Assets by Private Sector Banks (PVBs) (Rs. In Crores)

D. Non-Performing Assets by Foreign Banks:

Foreign banks operate with a different scale and business structure in India. Their portfolios tend to have a relatively different composition from those of large domestic public sector banks. Their NPA performance is influenced by corporate lending; multinational-company exposure; wholesale banking; trade finance and Selected retail segments. Therefore, comparisons based solely on the absolute amount of NPAs can be misleading. NPA ratios, provisioning coverage and portfolio composition provide a more meaningful basis for bank-group analysis.

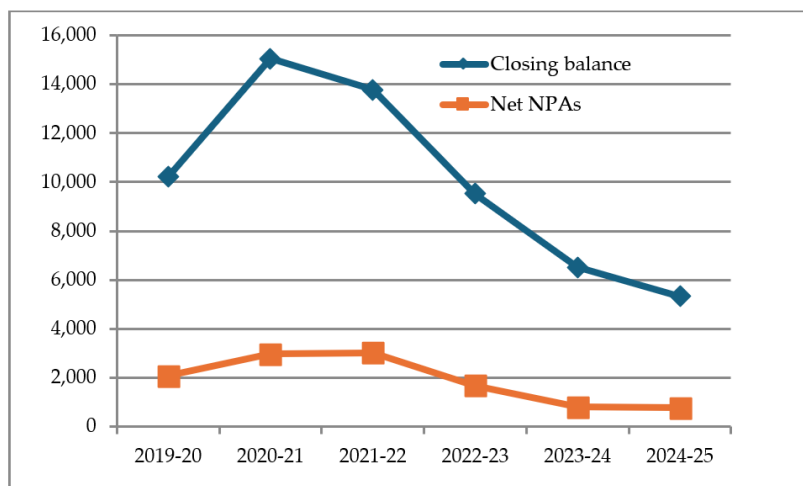
Table 4: Non-Performing Assets by Foreign Banks (FBs) during 2019-20 to 2024-25 (Rs. In Crores)

Item	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Opening Balance	12,242	10,208	15,044	13,786	9,526	6,523
Addition in the year	6,751	12,840	8,320	5,971	5,199	7,256
Reduction in the year	3,832	4,698	9,578	10,231	8,202	8,458
Recovered	0	0	2,722	5,844	3,513	2,779
Upgradtions	0	0	3,390	3,102	1,961	3,322
Written-off	4,953	3,307	3,466	1,286	2,728	2,357
Closing balance	10,208	15,044	13,786	9,526	6,523	5321
Net NPAs	2,084	2,987	3,023	1,672	799	776

Source: RBI Annual Reports and Trend and progress of Indian banking in India 2019-2025

Table 4 demonstrates Non-Performing Assets by Foreign Banks (FBs) Rs. in crores during 2019-20 to 2024-25. The Opening Balance of FBs Gross NPAs are Rs. 12,242 crores in 2019-20 and increased to Rs 15,044 crores in 2021-22 and decreased to Rs. 6,523 crores in 2024-25. The Addition of FBs Gross NPAs are Rs. 6,751 crores in 2019-20 and decreased to Rs 8,320 crores in 2021-22 and decreased to Rs. 7,256 crores in 2024-25. The Reduction of FBs Gross NPAs are Rs. 3,832 crores in 2019-20 and increased to Rs 9,578 crores in 2021-22 and decreased to Rs. 8,458 crores in 2024-25. The Closing balance of FBs Gross NPAs are Rs. 10,208 crores in 2019-20 and increased to Rs 13,786 crores in 2021-22 and decreased to Rs. 5321 crores in 2024-25.

The balance of FBs Net NPAs are Rs. 2,084 crores in 2019-20 and decreased to Rs 3,023 crores in 2021-22 and decreased to Rs. 776 crores in 2024-25. The Written-off of FBs NPAs are Rs. 4,953 crores in 2019-20; Rs. 3,307 crores in 2020-21; Rs. 3,466 crores in 2021-22; Rs. 1,286 crores in 2022-23; Rs. 2,728 crores in 2023-24 and Rs. 2,357 crores in 2024-25.

**Figure 4: Non-Performing Assets by Foreign Banks (FBs) (Rs. In Crores)**

E. Non-Performing Assets by Small Finance Banks: Table 5 explains Non-Performing Assets by Small Finance Banks (SFBs) Rs. in crores during 2019-20 to 2024-25.

The Opening Balance of SFBs Gross NPAs is Rs. 1,660 crores in 2019-20 and increased to Rs 5,971 crores in 2021-22 and decreased to Rs. 5,391 crores in 2024-25. The Addition of SFBs Gross NPAs are Rs. 1,764 crores in 2019-20 and increased to Rs 9,381crores in 2021-22 and decreased to Rs. 14,607 crores in 2024-25. The Reduction of SFBs Gross NPAs are Rs. 1,046 crores in 2019-20 and increased to Rs 8,441 crores in 2021-22 and increased to Rs. 10,009 crores in 2024-25. The Closing balance of SFBs Gross NPAs are Rs. 1,709 crores in 2019-20 and increased to Rs 6,911 crores in 2021-22 and increased to Rs. 9,989 crores in 2024-25.

Table 5: Non-Performing Assets by Small Finance Banks (SFBs) during 2019-20 to 2024-25 (Rs. In Crores)

Item	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Opening Balance	1,660	1,709	5,971	10,684	8,608	5,391
Addition in the year	1,764	5,470	9,381	6,901	7,152	14,607
Reduction in the year	1,046	377	8,441	8,977	10,170	10,009
Recovered	0	0	1,758	2,368	2,348	1,963
Upgradtions	0	0	3,785	2,639	2,159	2,559
Written-off	669	832	2,898	3,970	5,662	5,486
Closing balance	1,709	5,971	6,911	8,608	5,590	9,989
Net NPAs	784	2,981	2,725	1,622	1,796	3,910

Source: RBI Annual Reports and Trend and progress of Indian banking in India 2019-2025

The balance of SFBs Net NPAs are Rs. 784 crores in 2019-20 and increased to Rs 2,725 crores in 2021-22 and increased to Rs. 3,910 crores in 2024-25. The Written-off of SFBs NPAs are Rs. 669 crores in 2019-20; Rs. 832 crores in 2020-21; Rs. 2,898 crores in 2021-22; Rs. 3,970 crores in 2022-23; Rs. 5,662 crores in 2023-24 and Rs. 5,486 crores in 2024-25.

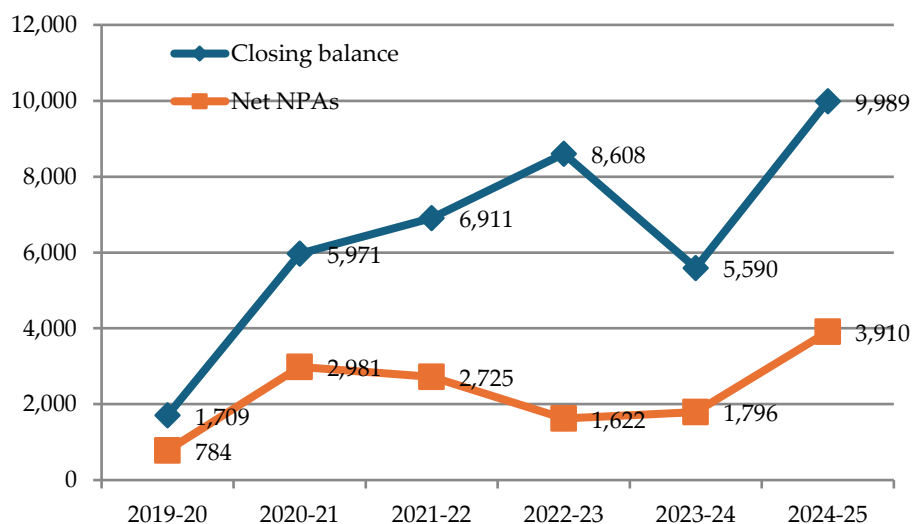


Figure 5: Non-Performing Assets by Small Finance Banks (SFBs) (Rs. In Crores)

F. Non-Performing Assets by all Scheduled Commercial Banks:

Table 6 denotes Non-Performing Assets by Scheduled Commercial Banks (SCBs) Rs. in crores during 2019-20 to 2024-25.

The Opening Balance of SCBs Gross NPAs is Rs. 9,15,355 crores in 2019-20 and reduces to Rs 8,35,138 crores in 2021-22 and decreased to Rs. 4,80,619 crores in 2024-25. The Addition of SCBs Gross NPAs are Rs. 3,78,228 crores in 2019-20 and decreased to Rs 2,83,441 crores in 2021-22 and decreased to Rs. 2,26,359 crores in 2024-25. The Reduction of SCBs Gross NPAs are Rs. 1,55,905 crores in 2019-20 and increased to Rs 3,74,926 crores in 2021-22 and decreased to Rs. 2,75,344 crores in 2024-25. The Closing balance of SCBs Gross NPAs are Rs. 8,99,803 crores in 2019-20 and decreased to Rs 7,43,653 crores in 2021-22 and decreased to Rs. 4,31,634 crores in 2024-25.

Table 6: Non-Performing Assets by all Scheduled Commercial Banks (SCBs) during 2019-20 to 2024-25 (Rs. In Crores)

Item	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Opening Balance	9,15,355	7,63,842	8,35,138	7,47,413	5,71,546	4,80,619
Addition in the year	3,78,228	4,00,646	2,83,441	2,21,228	2,13,587	2,26,359
Reduction in the year	1,55,905	1,18,584	3,74,926	3,97,095	3,04,314	2,75,344
Recovered	0	0	95,579	1,09,853	74,673	67,693
Upgradations	0	0	1,00,184	70,049	60,535	50,087
Written-off	2,37,876	2,08,134	1,79,163	2,17,193	1,69,106	1,57,563
Closing balance	8,99,803	8,37,771	7,43,653	5,71,546	4,80,818	4,31,634
Net NPAs	2,89,531	2,58,228	2,04,226	1,35,333	1,06,732	95,388

Source: RBI Annual Reports and Trend and progress of Indian banking in India 2019-2025

The balance of SCBs Net NPAs are Rs. 2,89,531 crores in 2019-20 and decreased to Rs 2,04,226 crores in 2021-22 and increased to Rs. 95,388 crores in 2024-25. The Written-off of SCBs NPAs are Rs. 2,37,876 crores in 2019-20; Rs. 2,08,134 crores in 2020-21; Rs. 1,79,163 crores in 2021-22; Rs. 2,17,193 crores in 2022-23; Rs. 1,69,106 crores in 2023-24 and Rs. 1,57,563 crores in 2024-25.

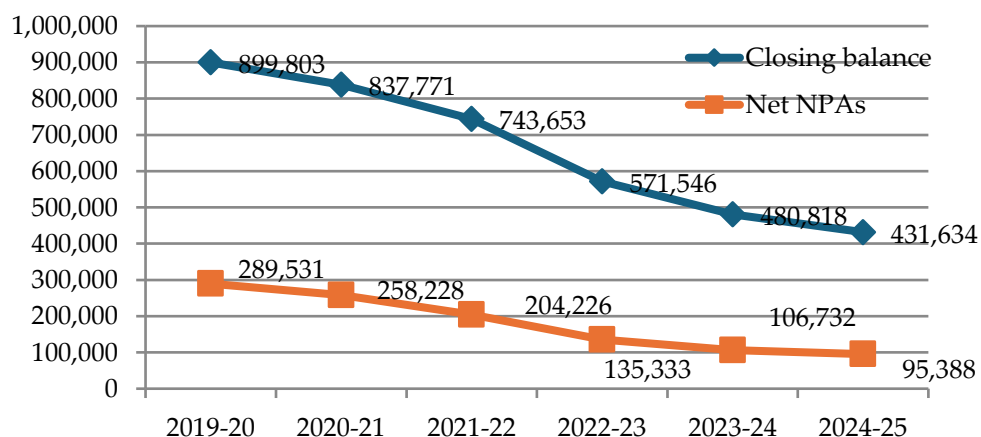


Figure 6: Non-Performing Assets by all Scheduled Commercial Banks (SCBs) (Rs. In Crores)

4. Findings:

1. The Gross NPAs reduced Rs. 4,68,169 crores and the Net NPAs reduced Rs. 1,93,985 crores in the assessment period 2019-20 to 2024-25.
2. The Gross NPAs closing balance of PSBs are reduced Rs. 4,94,359 crores and the Net NPAs of PSBs are reduced Rs. 1,75,284 crores in the assessment period 2019-20 to 2024-25.
3. The Gross NPAs closing balance of PVBs are reduced Rs. 76,894 crores and the Net NPAs of PVBs are reduced Rs. 20,677 crores in the assessment period 2019-20 to 2024-25.
4. The Gross NPAs closing balance of FBs are reduced Rs. 4,887 crores and the Net NPAs of FBs are reduced Rs. 1,308 crores in the assessment period 2019-20 to 2024-25.
5. The Gross NPAs closing balance of SFBs are reduced Rs. 8,280 crores and the Net NPAs of SFBs are reduced Rs. 3,126 crores in the assessment period 2019-20 to 2024-25.
6. The Gross NPAs closing balance of SCBs are reduced Rs. 4,68,169 crores and the Net NPAs of SCBs are reduced Rs. 1,94,143 crores in the assessment period 2019-20 to 2024-25.

5. Recommendations/Suggestions

1. The Gross NPAs reduced 52.03% and the Net NPAs reduced 67.04% in the assessment period 2019-20 to 2024-25. It is suggested that the RBI and Central Govt. Shall take measures to reduce NPAs in Indian banking sector.
2. The Gross NPAs of Public Sector Banks (PSBs) closing balance reduced 63.54% and the Net NPAs reduced 75.91% in the assessment period 2019-20 to 2024-25. The total written-off of NPAs in PSBs are Rs. 7,63,699 crores in the assessment period. It is recommended that the RBI take steps to reduce more closing balances of PSBs Gross NPAs besides up-gradation and written-off the NPAs.
3. The Gross NPAs of Private Sector Banks (PVBs) closing balance is reduced 36.69% and the Net NPAs of PVBs are reduced 37.09% in the assessment period 2019-20 to 2024-25. The total written-off of NPAs in PVBs are Rs. 3,67,724 crores in the assessment period. It is suggested that the RBI make policies to reduce more closing balances of PVBs Gross NPAs besides written-off the NPAs.
4. The Gross NPAs of Foreign Banks (FBs) closing balance is reduced 47.87% and the Net NPAs of FBs are reduced 62.76% in the assessment period 2019-20 to 2024-25. The total written-off of NPAs in FBs is Rs. 18,097 crores in the assessment period. It is proposed that the RBI make policies to reduce more closing balances of FBs Gross NPAs besides written-off the NPAs.
5. The Gross NPAs of Small Finance Banks (SFBs) closing balance is reduced 47.87% and the Net NPAs of SFBs are reduced 62.76% in the assessment period 2019-20 to 2024-25. The total written-off of NPAs in SFBs is Rs. 19,517 crores in the assessment period. It is suggested that the RBI take necessary steps to decrease more closing balances of SFBs Gross NPAs besides written-off the NPAs.
6. The Gross NPAs of Scheduled Commercial Banks (SCBs) closing balance is reduced 52.03% and the Net NPAs of SCBs are reduced 67.05% in the assessment period 2019-20 to 2024-25. The total written-off of NPAs in SCBs is Rs. 11,69,035 crores in the assessment period. It is suggested that the RBI take necessary policies to decrease more closing balances of SCBs Gross NPAs besides, up-gradation and written-off the NPAs.

6. Conclusion

Non-Performing Assets represent one of the most significant structural challenges faced by the Indian banking sector over the past decade. The bank-group perspective is particularly important. Public sector banks were historically more exposed to the NPA cycle because of their large corporate and infrastructure portfolios. Private sector and foreign banks have different risk profiles and therefore require different analytical approaches. There is a need to strengthen early-warning systems; improve credit appraisal system; strengthen bank group specific risk management; improve recovery mechanisms and strengthen capital buffers and improve data analytics to reduce the NPAs in Indian banking system in India besides up-gradation and written-off.

10. References

- [1] RBI Annual Reports 2019 to 2025.
- [2] Reserve Bank of India Trends and progress of banking sector in India.