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REVIEW ARTICLE **OPEN ACCESS**

Analysis of Non-Performing Assets of Five Scheduled Banks in India in Last Five Years

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Abstract

This research paper delves into the intricacies of Non-Performing Assets (NPAs) within selected Indian public banks, focusing on the year 2024. The study aims to assess current trends, sector-specific distributions, and the effectiveness of management strategies in mitigating NPAs. Given their critical role in determining financial health and their potential impact on the broader economy, NPAs warrant close examination. Descriptive analytical approach has been used in that research paper; we analyze secondary data sourced from the Reserve Bank of India.The data covers the period from March, 2020 to March 2024. Statistical Package for the Social Sciences (SPSS) is employed for a comprehensive examination of NPA trends across different sectors and banks. Robust regulatory frameworks and strategic NPA management are essential and Strengthened NPA management practices can enhance bank profitability and ensure economic stability. The implications of these findings extend to policymakers, regulatory bodies, and banking institutions, emphasizing the importance of adaptive strategies in navigating the complexities of the banking sector.

Keywords: Non-Performing Assets, Indian Public Banks, NPA Management, Bank Profitability, Economic Stability *etc.*

Introduction

Non-performing assets are financial instruments, such as loans or advances, on which borrowers have failed to pay either interest or principal for a specified period. In simple terms, NPAs represent assets that are not generating income for the lender due to borrower default. These assets can include various types of loans, such as personal loans, business loans, Mortagages and credit card debt. NPAs can be classified into different categories based on the nature of the loan and the duration of default:

Necessity:

- **Substandard assets:** These assets have remained NPAs for less than or equal to 12 months.
- **Doubtful assets:** Assets fall into this category if they have remained in the substandard category for more than 12 months.
- **Loss assets:** These are assets where loss has been identified by the bank, auditors, or regulatory inspections, but the amount has not been fully written off.

Several factors contribute to the creation of NPAs like Recessions or economic downturns can lead to increased unemployment and business failures, resulting in borrower default, Inadequate credit assessment processes or lax lending standards can lead to loans being extended to borrowers who are unable to repay, Certain sectors may face challenges due to regulatory changes, technological disruptions, or shifts in consumer preferences, leading to a higher incidence of NPA & Delays in the resolution of insolvency cases can prolong the recovery process for NPAs.

The presence of NPAs has significant consequences such as non-payment of interest or principal diminishes the lender's income, impacting profitability and shareholder returns, NPAs reduce the cash flow available to lenders, limiting their ability to meet obligations and fund new loans. NPAs can disrupt business operations, leading to layoffs, asset sales, or even bankruptcy in severe cases.

Financial stability risks: High levels of NPAs pose systemic risks to the financial system, potentially leading to banking crises or economic downturns

Measures to Address NPAs: Regulatory authorities and banks employ various strategies to manage NPAs:

- **Debt recovery tribunals (DRTs), Lok Adalats, and the SARFAESI Act:** Legal measures for NPA resolution.
- **Recapitalization of public sector banks:** Strengthening capital positions.
- **Special mention accounts (SMA) and prompt corrective action (PCA):** Monitoring and corrective steps.

Despite the challenges posed by NPAs, ongoing efforts aim to mitigate their impact and maintain a healthier banking system.

Objective of Study:

1. Determining Mean Growth Rate:

- You aim to calculate the mean growth rate for different groups of banks and individual banks. This involves analyzing the historical data on bank performance and identifying trends in growth rates over time.

2. Comments on Gross NPAs Growth Pattern:

- Your study will also delve into the growth pattern of Gross Non-Performing Assets (NPAs). By examining the trajectory of NPAs, you can provide valuable insights into their behavior, potential risk factors, and implications for the banking sector.

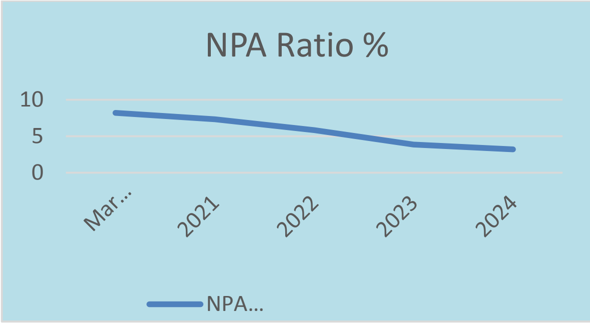
Research and Analysis:

Table 1: Overall NPA of India in Ratio from 2020 to 2024

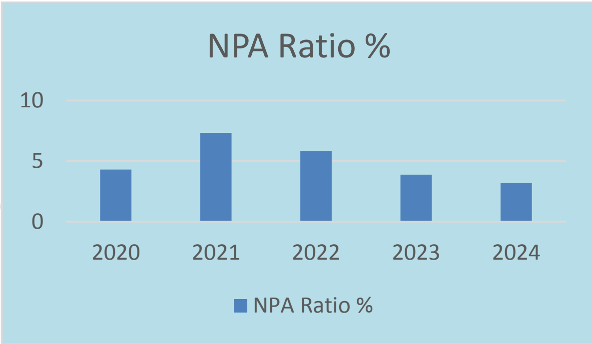
India's Non- performing Loans Ratio from 2020 to 24

FY	**Net NPA (%)**
March,2024	3.20
March,2023	3.870
March,2022	5.820
March,2021	7.330
March,2020	8.210

Sources: Annual reports of RBI from 2020 to 2024



Graph 1: line chart of overall NPA in India

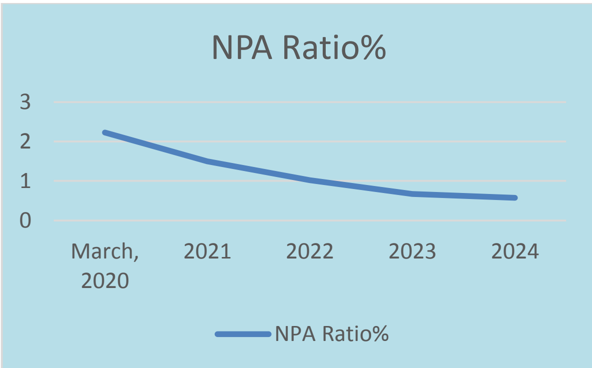


Graph 2: Bar chart of overall NPA in India

Table 2: 5 years NPA of State Bank Of India from 2020 to 2024

Analysis of NPA Ratio of SBI for last 5 Year

FY	**Net NPA (%)**
March, 2024	0.57
March, 2023	0.67
March, 2022	1.02
March,2021	1.50
March, 2020	2.23



Sources: Annual Reports of State Bank Of India from 2020 to 2024

Interpretation: Table 2 represents percentage of NPA of SBI from 2020 to 2024 which is in decline trend due to machinery of the government and prompt policy of recovery of NPA,

Table 3: Sector wise NPA of SBI during 2024

Sector– Wise NPA Distribution in SBI (2024) Analysis

Sector	Gross NPA (%)
Agriculture	5.9
Retail	4.8
SME	8.2
Corporate	7.1

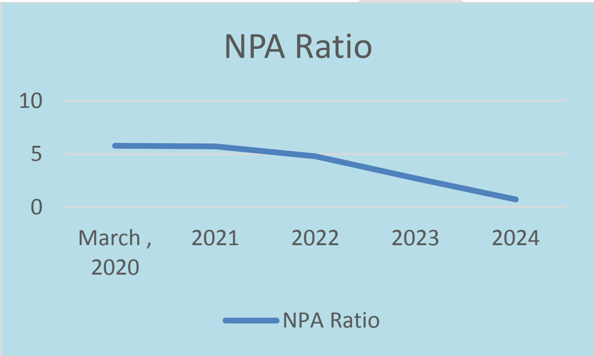
Sources: *SBI annual reports 2024*

Interpretation: Table 3 represents NPA in different sectors where the large intake of NPA was in Small Medium Enterprises which was 8.2% and second largest share of NPA was corporate sector third was Agriculture and fourth was Retail sector.

Table 4: NPA ratio of Punjab National Bank from 2020 to 2024

Analysis of NPA Ratio of PNB for last 5 Year

FY	Net NPA (%)
March, 2024	0.73
March , 2023	2.72
March, 2022	4.80
March, 2021	5.73
March, 2020	5.78



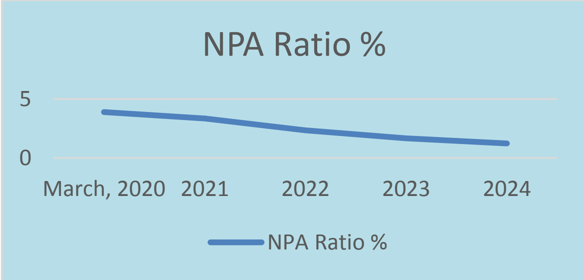
Sources: Annual Reports of PNB from 2020 to 2024

Interpretation: In the analysis of PNB we find continuous decreasing in the NPA from 2020 to 2024 during the year 2020 to 2021 there was slight decreasing thereafter highest declined trend observed which green indication for the Indian Economy is.

Table 5: NPA of Bank of India of last five years from 2020 to 2024

Analysis of NPA Ratio of Bank of India for last 5 Year

FY	Net NPA (%)
March, 2024	1.22
March, 2023	1.66
March,2022	2.34
March,2021	3.35
March,2020	3.88



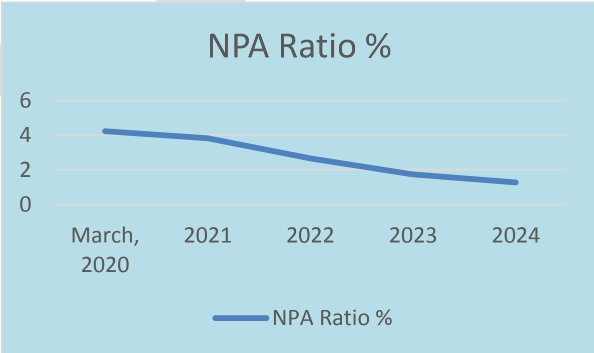
Sources: Annual Reports of Bank of India from 2020 to 2024.

Interpretation: From the analysis it's observed that there is decreasing trend of NPA from 2020 to 2024 which is positive indication for the Indian Economy.

Table 6: Net NPA percentage of Canara Bank from 2020 to 2024

Analysis of NPA Ratio of Canara Bank for last 5 Year

FY	Net NPA (%)
March, 2024	1.27
March,2023	1.73
March,2022	2.65
March,2021	3.82
March,2020	4.22



Sources: Annual Reports of Canara Bank from 2020 to 2024.

Interpretation: The percentage NPA recorded in decline trend from the year 2020 to 2024 due to amendment in law of recovery of loans and was implemented in all over India which is positive impact for the Indian Economy. In the below table number 7 the recovery rate is 72.5 % in case of secured loan and 45.8 % in case of unsecured loans have been recorded.

Table 7: Recovery Rate of Canara Bank for the year 2024

Recovery Rate of NPAs in Canara Bank (2024)

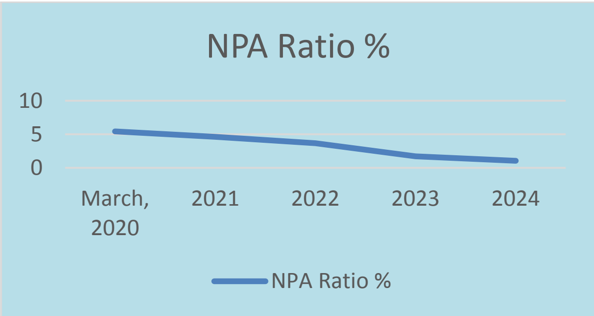
NPA Type	Recovery Rate (%)
Secured	72.5
Unsecured	45.8

Sources: Annual Reports of Canara Bank Financial Year 2024

Table 8: List of NPA of last five years from 2020 to 2024 of Union Bank of India

Analysis of NPA Ratio of Union Bank of India for last 5 Year

FY	Net NPA (%)
March, 2024	1.03
March, 2023	1.70
March,2022	3.68
March, 2021	4.62
March, 2020	5.44



Sources: Annual Reports of Union Bank of India from financial year 2020 to 2024

Interpretation: The NPA of Union Bank of India recorded in decline trend from the year 2020 to 2024 and highest decline was recorded between 2022 to 2024 which is the positive indication for Indian Economy and new policy of recovery the success rate of the bank management and strategies in Table 9 were Restructuring and one time settlement respectively 65.4 % and 58.7 % which is green signal of new policy of recovery.

Table 9: NPA Management Strategies in Union Bank of India

Effectiveness of NPA Management Strategies in Union Bank of India (2024)

Strategy	Success Rate (%)
Restructuring	65.4
One-time Settlement	58.7

Sources: Annual Reports of Union Bank of India 2024

Overall Analysis:

In 2024, an examination of non-performing assets (NPAs) in selected Indian public banks reveals diverse NPA levels and varying management effectiveness. While certain banks exhibit robust provisioning and lower NPA percentages, others emphasize the need for enhanced management strategies, especially in high-risk sectors like small and medium enterprises (SMEs). This variation underscores the intricate nature of NPA management and highlights the importance of customized, strategic approaches to mitigate risks and improve recovery efforts.

This discussion explores the implications of these findings, drawing comparisons with existing literature and addressing identified gaps. The overall NPA trends align with concerns raised by Rajput, Arora, and Kaur (2017), emphasizing the economic impact of mismanaged NPAs. State Bank of India's relatively lower Gross NPA percentage compared to Punjab National Bank supports Dhar's (2016) assertion that strategic asset management and regulatory compliance can mitigate NPA levels. Examining sector-wise NPA distribution in SBI reveals higher NPAs in the SME sector, validating Poddar's (2016) claim that NPAs significantly affect sector-specific lending practices. This highlights the need for nuanced risk assessment and management strategies in vulnerable sectors.

The yearly growth rate of NPAs in PNB and its impact on Bank of India's profitability underscore the direct link between NPA levels and bank financial health. These findings emphasize effective NPA management to safeguard profitability and economic stability. Canara Bank's NPA recovery rate, especially the difference between secured and unsecured NPAs, supports theoretical assertions about collateral's role in recovery (Rao & Patel, 2015). This fills a literature gap by providing updated evidence on collateralized lending.

Variance in NPA levels and management effectiveness across banks highlights the complexity of NPA management. Innovative, sector-specific strategies are essential, especially in high-risk sectors like SMEs. The NPA-profitability correlation emphasizes the broader economic impact. Strengthening regulatory frameworks and oversight can enhance NPA management and contribute to stability. Effective NPA recovery underscores robust risk assessment and management in lending decisions. Stringent collateral requirements and risk frameworks are crucial.

This study offers contemporary insights into NPA trends and management strategies, bridging literature gaps and contributing to our understanding of NPAs in the current economic context.

Conclusion

In 2024, a comprehensive examination of Non-Performing Assets (NPAs) in selected Indian public banks revealed vital insights into prevailing NPA trends, sector-specific distributions, and the efficacy of management strategies. NPAs vary across the banking sector, with Gross and Net NPA percentages reflecting diverse asset management practices and regulatory adherence. State Bank of India (SBI) stands out with lower Gross NPA percentages and higher provision coverage ratios, indicating effective NPA management. In contrast, Punjab National Bank faces higher NPA levels, highlighting ongoing challenges. Within SBI, the SME sector is particularly susceptible to NPAs. Targeted risk management strategies are crucial to address this vulnerability. Canara Bank's recovery rates underscore the value of secured lending in NPA recoveries. Collateral plays a significant role in mitigating lending risks. Effective NPA management directly impacts a bank's financial health and operational stability. The correlation between NPAs and profitability is substantial. Policymakers and regulators should strengthen oversight and regulatory frameworks to enhance NPA management across the banking sector. Tailored strategies are essential, especially in high-risk sectors. Continued innovation in risk assessment and management practices is vital.

In conclusion, this study contributes to the discourse on NPA management in Indian public banks, addressing existing literature gaps. By emphasizing complexity and economic implications, it advocates for strategic approaches to mitigate NPA risks and ensure broader economic stability.

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