

Two-Day National Conference on**"GST Reforms: Challenges, Opportunities, and Socio-Economic Effects in Telangana State"
on 09th & 10th June 2026****CMR TECHNICAL CAMPUS**

Department of MBA

UGC Autonomous, Approved by AICTE, New Delhi & JNTU Hyderabad

Kandlakoya (V), Medchal, Hyderabad – 501401

**A Study on the Impact of Non-Performing Assets on Financial Stability in
SBI Bank****Mrs. NUTAN SINGH, D. Shravani**

1. Assistant Professor, CMR Institute of Technology, Hyderabad, Telangana, India. Email ID:
nutansingh@cmritonline.ac.in

2. Student of MBA, CMR Institute of Technology, Hyderabad, Telangana, India.

Email ID: shravanidommati5@gmail.com

Abstract: This paper examines the effects of non-performing assets on the stability of the State Bank of India for the year 2020-2025. NPA causes several problems in banks, including loss of profitability, reduction in liquidity, and increased risks. The trend of Gross NPA and Net NPA will be analyzed and assessed for its influence on financial profitability ratios like Return on Assets, Return on Equity, Net Profit Margin, and Earnings per share. Secondary data related to the performance of SBI will be used for the analysis and is derived from the financial report of SBI and RBI. Results indicate that there was a marked decrease in Gross NPA from 9.98% to 1.82% and Net NPA from 2.32% to 0.46%, while profitability ratios were improved. It is concluded that credit risk management strategies, technological innovations, and recovery processes improved the profitability and financial stability of SBI.

Keywords: Non-Performing Assets, SBI Bank, Asset Quality, Banking Sector, Risk Management.

I. INTRODUCTION

The State Bank of India (SBI) is one of the foremost public sector banks in the Indian financial system. NPAs have a huge effect on the profitability, liquidity, and financial stability of any bank. Therefore, the research focuses on the effects of NPAs on the performance of State Bank of India from 2020 to 2025. Some of the vital financial performance indicators include gross NPAs, net NPAs, ROA, ROE, net profit margin, and EPS. Alongside, the efficiency of risk management, credit appraisal, and digital efforts in mitigating NPAs will be discussed.

Statement of the Problem

Non-Performing Assets (NPAs) are a major issue for SBI as they reduce profitability, increase provisioning costs, and lower net interest margins. Although SBI has reduced NPAs to a decade-low level through debt recovery mechanisms and the IBC framework, sectors like agriculture and MSMEs remain vulnerable to loan slippages. These risks negatively affect financial ratios such as ROA and CAR. Since SBI is a key institution in India's banking system, its asset quality

directly influences national financial stability. This study highlights the need to assess whether current risk management practices are sufficient to address emerging credit risks and ensure long-term stability.

Research Objectives & Hypotheses

Objectives:

1. To study the profitability and growth of Non-Performing Assets (NPA) in the case of SBI over the last six years.
2. To study Gross Non-Performing Assets and Net Non-Performing Assets of SBI during 2020-2025.
3. To analyze the relation between NPAs and profitability ratios (ROA, ROE, Net Profit Margin, Operating Profit Margin, EPS).

Hypotheses:

- Null Hypothesis (H1): There is no significant impact of the rise in provisioning due to default loans in causing an increase in the squeeze of the Net Profit Margin of State Bank of India between 2020 and 2025.
- Null Hypothesis (H2): There will be no impact of the growth in NPAs on the ROE and EPS of the company.

Scope and Limitations

1. Financial analysis of the bank including profitability, liquidity, solvency, and efficiency of SBI through various financial ratios such as ROA, ROE, NIM, and Cost to Income Ratio.
2. Credit risk position analysis of the Bank with the help of various measures such as GNPA, NNPA, and PCR.
3. Since all the data utilized in the study is secondary data, it is likely that the data may have been altered or changed at some point in the future.
4. The scope of the study is limited to the State Bank of India, and thus any generalizations of the result to the whole banking industry are invalid.

II. REVIEW OF LITERATURE

1. Dutta, A (2020): The study discusses the growth of NPA in Indian public and private banks and also analyzes sector-wise non-performing assets of the commercial banks. For this study, secondary sources have been used to collect data. These sources include Trend and Progress of Banking in India, RBI, Report on Currency and Finance, RBI Economic Surveys of India.

2. Joseph, A. L. (2020): This research paper studies the trends of NPAs in the banking

industry, as well as internal and external factors that affect the NPAs in the banking industry and solutions to overcome them.

Arora, N., Ostwal, N. (2021): The main focus of this paper lies on the comparison of the loan portfolio of public and private sector banks. It has been found out that even today, the issue of NPAs continues to be a concern for banks and financial institutions whereas the public sector banks have higher NPAs than private banks.

Research Design

The study uses a descriptive and analytical research design to examine Non-Performing Assets (NPAs) and SBI Bank. The descriptive approach helps in understanding trends in NPAs and financial performance.

Sampling Technique:

The study uses a non-probability purposive sampling technique. Data is selected based on relevance and availability, focusing on financial information and Non-performing assets of SBI bank.

Data Collection Methods

Data type: Secondary Data

Data Source: Annual reports of SBI Bank , SBI Bank website for financial database

Industry journals and research papers.

Hypotheses

Null Hypothesis (**H₀**): There is no significant relationship between Non-Performing Assets (NPAs) and Return on Equity (ROE) of SBI Bank.

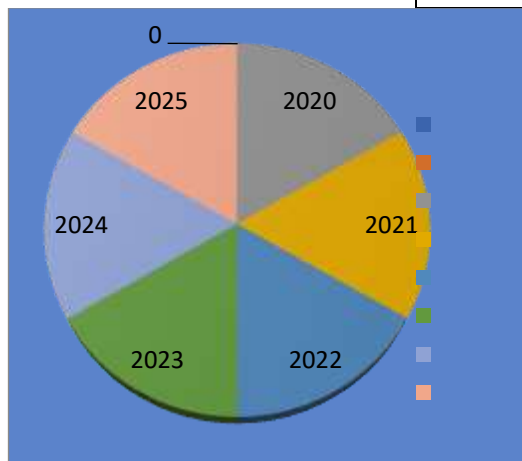
Analytical Tools Used

- Gross NPA Ratio
- Net NPA Ratio
- Return on Assets (ROA)
- Return on Equity (ROE)

IV. DATA ANALYSIS

SBI BANK GROSS NPA, NET NPA

CALLUCATION THE GROSS NPA %	
GROSS NPA/TOTAL ADVANCE*100	
2020	9.981015247
2021	118.4368667
2022	3.974333066
2023	2.781310936
2024	2.23690931
2025	1.82150236

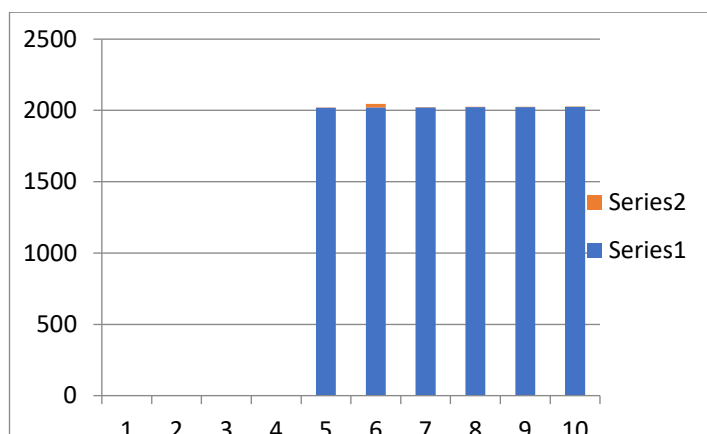


Interpretation: The Gross NPA ratio of SBI showed a significant decline from 9.98% in 2020 to 1.82% in 2025, indicating improved asset quality and effective credit risk management. This reduction reflects successful loan recovery measures, stronger credit appraisal practices, and better monitoring systems. The 2021 value appears inconsistent and requires verification.

PERCENTANGES OF GROSS NPA NET NPA PROVISIONAL NPA

CALCULATION THE NET NPA %	
NET NPA/TOTAL ADVANCE*100	
2020	2.326067265
2021	24.53981333
2022	0.992159457
2023	0.656624418
2024	0.558749495

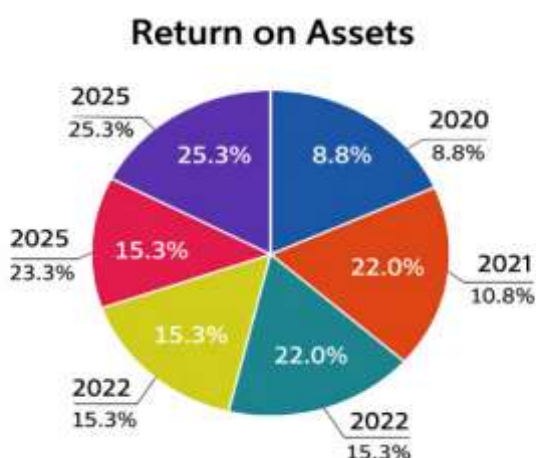
2025	0.465963163
------	-------------



INTERPERATION: The Net NPA percentage of the State Bank of India shows a consistent declining trend from 2.32% in 2020 to 0.46% in 2025, indicating improved asset quality and effective credit risk management. This reduction reflects strong recovery mechanisms, restructuring efforts, and better credit appraisal systems. However, the 2021 data appears inconsistent and requires verification with official audited financial statements to ensure accuracy and reliability of the analysis.

RETURN ON ASSETS

RETURN ON ASSETS	
NET PROFIT/TOTAL ASSETS*100	
2020	0.36665541
2021	0.4501117
2022	0.63509542
2023	0.9104983
2024	0.98834991
2025	1.06201973

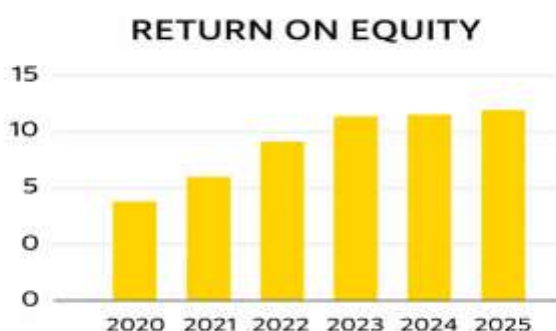


INTERPERTATION:

The Return on Assets (ROA) of SBI shows a consistent upward trend from 0.37% in 2020 to 1.06% in 2025, indicating improved profitability and efficient asset utilization. This growth reflects effective reduction of bad debts, stronger credit risk management, and better deployment of funds into productive lending, enhancing the bank's overall financial performance and stability.

RETURN ON EQUITY:

NET PROFIT/SHAREHOLDER EQUITY*100	
2020	6.24463917
2021	8.039389463
2022	11.30930279
2023	15.3329589
2024	16.19023131
2025	16.07142048



INTERPERTATION:

The Return on Equity (ROE) of SBI shows strong growth from 6.24% in 2020 to 16.19% in 2024, reflecting improved profitability and efficient capital utilization. A slight decline to 16.07% in 2025 still indicates strong performance. This trend highlights effective NPA reduction and better credit management strategies.

V. FINDINGS, SUGGESTIONS, AND CONCLUSIONS

FINDINGS:

1. Gross NPA declined from 9.98% (2020) to 1.82% (2025), showing improved asset quality.
2. Net NPA reduced from 2.32% to 0.46%, indicating strong recovery and monitoring.
3. Gross NPA showed a continuous downward trend from 2020–2025.
4. Gross NPA amount reduced from ₹2,22,576.64 crore to ₹76,880.20 crore, reflecting better loan recovery.
5. ROE increased from 6.24% to 16.07%, showing improved shareholder returns.
6. Net Profit Margin improved due to lower provisions and better profitability.

SUGGESTIONS:

The study recommends that SBI strengthen its credit appraisal and risk management systems to reduce new NPAs. Proper evaluation of borrowers' repayment capacity and financial condition can minimize default risk. The adoption of advanced technologies like AI and data analytics can help in early detection of stressed accounts. Improved recovery mechanisms, faster loan restructuring, and strict legal action against defaulters are essential. Employee training in risk monitoring and sector-wise lending analysis can further reduce risks. Customer awareness and regulatory support are also important to ensure transparency, better loan quality, and long-term financial stability and profitability for SBI.

CONCLUSION

The study concludes that Non-Performing Assets (NPAs) significantly affect the profitability, liquidity, and financial stability of SBI. High NPAs reduce earnings, increase provisioning requirements, and raise financial risks. However, SBI reduced both Gross NPA and Net NPA from 2020 to 2025 through improved credit appraisal, stronger recovery mechanisms, technological adoption, and effective risk management practices. As a result, key profitability indicators such as ROA, ROE, Net Profit Margin, Operating Profit Margin, and EPS showed improvement, strengthening investor confidence. The study highlights that continuous monitoring, strict lending policies, and efficient recovery systems are essential for long-term financial stability and sustainable growth

References:

- 1.ResearchGate (2026)** – "*A Comparative Study of SBI and ICICI Bank (2015–2024)*" explores the negative correlation between NPAs and return ratios, and effective legal recovery tools used by SBI. Access the full paper on [ResearchGate](#). [1]
- 2.Science Publishing Group (2024)** – "*Non-Performing Assets (NPA's) – Impact on Financial Stability*" provides a deep dive into how loan provisioning diminishes capital and hurts credit growth. Read the study on [Science Publishing Group](#). [1]
- 3.ResearchGate (2025)** – "*Evaluating the impact of non-performing assets (NPAs) on functionality and profitability*". Read it on [The Economics Journal](#). [1]
- 4.ResearchGate (2025)** – "*Analyzing the Influence of Non-Performing Assets: A Comparative Study between SBI and HDFC*". Available via [ResearchGate](#). [1]
- 5.ResearchGate (2017)** – "*Impact of Non-Performing Assets on Working of Banks: A Comparative Study between SBI Corporate and SBI Patna Circle*". Read it on [ResearchGate](#). [1]