Pacific Business Review (International)
Volume 19, Issue 4, October 2026

Non-Performing Assets in India: A Comparative Study of Selected Public and Private Sector Banks (2019–2025)

Dr.Ravneet Kaur
Assistant Professor,
Gandhi Memorial National College,
Ambala Cantt, Affiliated to
Kurukshetra University, Kurukshetra,
ravneetgulati08@gmail.com

Abstract

Non-performing assets (NPAs) are a key measure of asset quality, credit risk and banking stability. In India, NPAs rose sharply in the 2010s, especially in public sector banks (PSBs), before declining to multi-decade lows in the mid-2020s after regulatory and legislative reforms. According to the Reserve Bank of India (RBI) and the Ministry of Finance, the gross non-performing asset (GNPA) ratio of scheduled commercial banks (SCBs) fell to about 2.3% by March 2025, while the GNPA ratio of PSBs as a group declined from 9.11% in March 2021 to 2.58% in March 2025.

This paper provides a comparative analysis of NPAs in two public sector banks—State Bank of India (SBI) and Punjab National Bank (PNB)—and two private sector banks—HDFC Bank and ICICI Bank—from 2019–2020 to 2023–2024, with additional 2025 system-level and bank-level observations where available. The study is based exclusively on secondary data drawn from RBI publications, Government of India releases, bank annual reports and financial databases. It examines trends in GNPA and net NPA (NNPA) ratios, contrasts the NPA behaviour of PSBs and private sector banks (PVBs) and links these patterns to insights from recent academic literature.

The analysis shows a strong reduction in GNPA ratios in all four banks, with particularly steep declines in PNB and ICICI Bank, which started the period with high NPA levels. SBI's GNPA ratio fell from around 5.0% to 1.82%, while PNB's dropped from 14.0% to 3.95% between FY2019–20 and FY2023–24. HDFC Bank maintained GNPA around 1–1.3% throughout, and ICICI Bank's GNPA fell from 8.0% to 1.73%. The findings confirm that PSBs historically exhibited higher NPAs, but reforms and active resolution have significantly narrowed the gap with PVBs by 2024–25. The paper concludes with policy and managerial implications for sustaining low NPAs.

Keywords: Non-Performing Assets, GNPA, Public Sector Banks, Private Sector Banks, SBI, PNB, HDFC Bank, ICICI Bank, India.

Introduction

Bank credit is central to economic growth, but it exposes banks to credit risk. When borrowers fail to service loans, advances are classified as non-performing assets (NPAs), eroding bank profitability, capital and lending capacity. In India, an asset is generally treated as non-performing if interest and/or principal remain overdue for more than 90 days, and NPAs are further classified into sub-standard, doubtful and loss assets under RBI norms.

From around 2012 onwards, the Indian banking system experienced a large build-up of NPAs, particularly in PSBs, fuelled by rapid credit expansion, infrastructure and corporate lending, project delays, governance issues and weakening macroeconomic conditions. Several empirical studies show that GNPA levels for Indian banks more than quadrupled between 2014 and 2018. In response, the RBI and the Government of India initiated a broad reform agenda: the Asset Quality Review (AQR), tighter income recognition and provisioning norms, recapitalisation of PSBs, the Insolvency and Bankruptcy Code (IBC), improved information systems and stronger resolution frameworks. These measures, combined with write-offs, improved recoveries and better credit discipline, reduced banking-system GNPA ratios to historically low levels by 2024–25. As of March 2025, RBI's Financial Stability Report and government releases place the overall GNPA ratio at about 2.3%, and the PSB GNPA ratio at 2.58%, down sharply from the post-AQR highs.

However, within this aggregate improvement significant differences persist across bank groups and individual banks. PSBs have historically carried higher NPA burdens than PVBs, reflecting their exposure to priority sectors, large infrastructure projects and government-driven schemes, whereas PVBs generally exhibit tighter risk management and a stronger retail focus.

Against this background, this paper analyses NPA trends in two PSBs (SBI and PNB) and two PVBs (HDFC Bank and ICICI Bank) from 2019 to 2025, using only secondary data. The period covers the pre-COVID year (FY2019–20), the COVID phase and recovery years, and the post-reform consolidation period up to March 2025.

Conceptual and Regulatory Framework of NPAs in India

The RBI's prudential guidelines on income recognition, asset classification and provisioning (IRAC norms) govern the treatment of NPAs in India. An asset is classified as NPA if it remains in default beyond 90 days (for term loans) or exhibits similar irregularities for cash-credit and overdraft accounts. NPAs are divided into:

- Sub-standard assets: NPAs for a period less than or equal to 12 months
- Doubtful assets: NPAs exceeding 12 months
- Loss assets: Assets considered uncollectible or of such little value that they should be written off

Banks must make minimum provisions against these categories, with higher coverage for doubtful and loss assets. These rules are periodically tightened, and the RBI also uses macro-prudential tools, supervisory stress tests and prompt corrective action frameworks to manage systemic NPA risk.

Review of Literature

NPAs: Trends and Comparative Studies

- **Bawa et al.** (2019) analysed NPAs of Indian banks using a comprehensive framework of 31 financial ratios and found that both macroeconomic and bank-specific factors drive NPA accumulation.
- **Mishra (2021)** examined NPAs and their determinants for 40 Indian banks from 2010 onwards and reported that GDP growth, interest rates, bank size, profitability and efficiency significantly affect GNPA ratios.
- **Kadanda & co-authors (2018)** studied NPAs of PSBs and highlighted inter-bank disparities in NPA management, noting that profitability declined as bad loans rose and recovery mechanisms often proved inadequate.
- **Kandpal (2020)** provided a critical analysis of NPAs in public and private sector banks, concluding that governance issues, poor appraisal and policy-driven lending aggravated PSB stress, while private banks maintained relatively better asset quality.

- **Thakur (2025)** carried out a comparative study of NPAs in public and private banks in India and confirmed that PSBs exhibit higher and more volatile GNPA ratios than PVBs, though the gap has narrowed in the post-reform period.
- **Rao & Reddy (2025)** examined the status and trend of NPAs in six selected banks (including SBI, PNB, HDFC and ICICI) between 2014–15 and 2023–24 and documented a clear downward trajectory in GNPA ratios across both PSBs and PVBs, with PSBs still starting from a higher base.

Determinants of NPAs

- **Ravirajan (2023)** analysed the determinants of NPAs of SCBs during 2009–2020 and found that high credit growth, low capital buffers, sectoral concentration and weak profitability contribute to higher NPAs, while better efficiency reduces them.
- **IJBMI (2023)** study on determinants of NPAs used bank-level ratios and confirmed that aggressive lending, low collateral quality and weak monitoring are associated with higher NPA formation.
- **Das (2023, 2025)** and co-authors, in a series of papers on "NPAs in India's banks: trends and determinants" and "Drivers of NPAs in Indian Banks", documented that both macroeconomic shocks and bank-specific governance and earnings-management practices shape NPA dynamics.

Overall, the literature establishes that:

1. PSBs historically carry higher NPAs than PVBs, though both have improved sharply since about 2018.
2. NPAs are driven by a combination of macro (growth, interest rates, inflation) and micro (credit growth, capital, profitability, governance) factors.
3. Recent studies increasingly use bank-level panel data and show that post-IBC reforms and stricter supervision have significantly reduced system-wide GNPA ratios.

However, there is still scope for recent, bank-specific evidence covering the 2019–2025 period, particularly for a small set of large PSBs and PVBs using the very latest secondary data.

Research Gap and Objectives

Research Gap

Most existing studies either:

- Cover long periods (e.g. 2004–2018 or 2005–2021) without focusing on the crucial post-COVID, post-reform period, or
- Analyse NPAs at the aggregate PSB/PVB level rather than at individual bank level for a small, systemically important sample.

This paper addresses that gap by examining four major banks (SBI, PNB, HDFC Bank, ICICI Bank) from 2019–2020 (pre-COVID) to 2023–2024, and by embedding these findings in the system-level NPA picture up to March 2025.

Objectives

1. To explain the concept and regulatory framework of NPAs in India.
2. To examine system-wide NPA trends in the Indian banking sector from 2019 to 2025.
3. To compare the NPA performance of two PSBs (SBI, PNB) and two PVBs (HDFC Bank, ICICI Bank) using secondary data.
4. To identify structural and managerial factors that explain differences in NPA levels between PSBs and PVBs.
5. To suggest policy and managerial measures for sustaining low NPAs.

Research Methodology

Nature of Study

The study is descriptive, analytical and based entirely on secondary data. No primary surveys or interviews have been used.

Data Sources

- RBI publications (Financial Stability Reports, Trend and Progress of Banking, and related releases).
- Ministry of Finance / Press Information Bureau (PIB) press releases regarding GNPA trends of PSBs.

- Bank-level financial statements and press releases of SBI, PNB, HDFC Bank and ICICI Bank.
- Financial databases (Moneycontrol "Balance Sheet – Asset Quality" pages) for multi-year GNPA and NNPA ratios.
- Published academic studies and working papers as summarised in the literature review.

Period of Study

- Bank-level panel: FY2019–20 to FY2023–24 (five financial years).
- System-level (SCBs and PSBs): Up to March 2025 using RBI/PIB data.
- Selected bank-level 2025 values: For HDFC Bank, ICICI Bank and PNB where March 31, 2025 GNPA ratios are disclosed in official press releases or Reuters reports

Sample Banks

❖ **Public Sector Banks:**

- State Bank of India (SBI)
- Punjab National Bank (PNB)

❖ **Private Sector Banks:**

- HDFC Bank
- ICICI Bank

These banks are among the largest in their respective categories by assets and market capitalisation, and are widely covered in official statistics and prior NPA research.

Variables

❖ Gross NPA Ratio (GNPA %)

❖ Net NPA Ratio (NNPA %) (mentioned qualitatively; core focus is GNPA)

❖ Absolute GNPA (`crore) where needed for graphical representation

❖ Macro indicators used for interpretation (GNPA of SCBs, GNPA of PSBs).

No econometric modelling is undertaken; instead, the study uses trend analysis and descriptive comparison.

Overview of NPAs in the Indian Banking Sector (2019–2025)

RBI's Financial Stability Report and related communications show a substantial improvement in banking-system asset quality over the study period:

- The GNPA ratio of all banks fell to about 2.3% by March 2025, the lowest in over a decade.
- For public sector banks, a Ministry of Finance release reports GNPA falling from 9.11% in March 2021 to 2.58% in March 2025, with gross NPAs in absolute terms also declining.
- Another RBI-linked news report notes that GNPA of banks declined to around 2.5% by September 2024, reflecting continuous balance sheet clean-up.
- These improvements are attributed to better credit underwriting, tighter regulation, proactive provisioning, write-offs, and the resolution of stressed accounts under IBC and other mechanisms, although some newer pockets of stress (e.g. microfinance and unsecured retail lending) are emerging.

Comparative Bank-Level Analysis

Gross NPA Ratios of Selected Banks (2019–2024)

Table 1 presents GNPA ratios for SBI, PNB, HDFC Bank and ICICI Bank from FY2019–20 to FY2023–24, based on Moneycontrol's asset-quality tables (latest five-year series, mapped from oldest to latest year).

Table 1: GNPA Ratio (%) of Selected Banks, FY2019–20 to FY2023–24

Bank	Ownership	2019–20	2020–21	2021–22	2022–23	2023–24
SBI	PSB	5.00	3.97	2.78	2.24	1.82
PNB	PSB	14.00	12.00	8.74	5.73	3.95
HDFC Bank	Private	1.00	1.00	1.12	1.24	1.33
ICICI Bank	Private	8.00	4.00	2.87	2.26	1.73

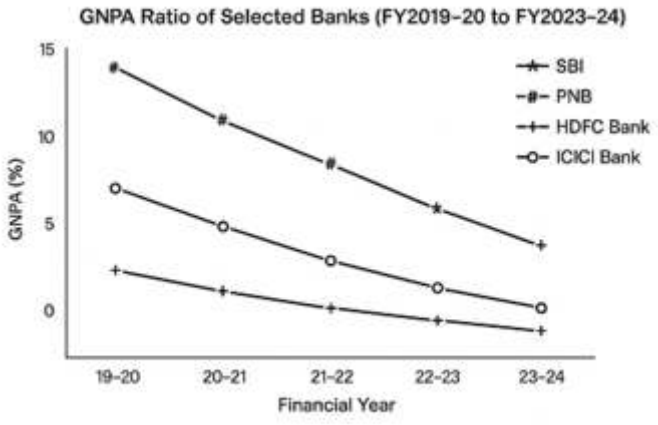
Source (for Table 1):

Compiled from Moneycontrol, Balance Sheet → Asset Quality pages for SBI, PNB, HDFC Bank and ICICI Bank; accessed December 2025.

Key Points

- **SBI** reduced GNPA from 5.00% in 2019–20 to 1.82% in 2023–24, indicating a steady clean-up and improved credit discipline.
- **PNB** started with extremely high GNPA (14.00%) and brought it down to 3.95%, reflecting aggressive recognition, provisioning, and recoveries, though its NPA ratio remains higher than that of the other three banks.
- **HDFC** Bank maintained GNPA at roughly 1–1.3% throughout the period, illustrating consistently strong asset quality.
- **ICICI** Bank cut GNPA from 8.00% to 1.73%, transforming from a relatively stressed lender to a low-NPA bank over five years.

Figure 1: Trend in Gross NPA Ratio (%) of SBI, PNB, HDFC Bank and ICICI Bank, FY2019–20 to FY2023–24.



Extension to 2025: March 2025 Observations

While complete FY2024–25 annual reports are not yet available for all banks, several March 31, 2025 GNPA ratios are disclosed:

Table 2: GNPA Ratio (%) at or around March 31, 2025 – Selected Banks and Bank Groups

Entity / Group	GNPA Ratio (%)	Reference Date / Note
SCBs (46 banks)	2.3	As of March 2025 (system average)
PSBs (aggregate)	2.58	As of March 31, 2025
HDFC Bank	1.33	As of March 31, 2025
ICICI Bank	1.67	As of March 31, 2025 quarter
PNB	3.95	As of March 2025

Source (for Table 2):

RBI Financial Stability Report and related communication on SCB GNPA ratios; Ministry of Finance / PIB press release on PSB GNPA (2025); HDFC Bank press release for March 2025 results; Reuters reports on ICICI Bank and PNB quarterly results; accessed December 2025.

Key points:

- System-wide GNPA remains very low (2.3%), consistent with the downward trend seen up to FY2023–24.
- PSBs as a group have a GNPA ratio only slightly above the system average (2.58%), a dramatic improvement from double-digit levels earlier in the decade.
- HDFC Bank and ICICI Bank continue to show very low GNPA by March 2025, comparable to or below the system average.
- PNB's GNPA at around 3.95% is still above aggregate PSB and SCB levels, but far below its starting point of 14%.

Discussion

PSBs vs PVBs: Levels and Trends

- At the start of the period (2019–20), the two PSBs show much higher GNPA (SBI 5.0%, PNB 14.0%) compared with PVBs (HDFC 1.0%, ICICI 8.0%).
- By 2023–24, GNPA has sharply fallen in all banks, with PSBs closing a large part of the gap:
- SBI 1.82%, PNB 3.95%;
- HDFC 1.33%, ICICI 1.73%.

- This pattern is consistent with broader evidence that PSBs entered the COVID and post-AQR period with heavier legacy stress, while private banks were relatively better positioned but still needed to clean up specific segments.

Structural Factors

The observed differences between PSBs and PVBs can be linked to several structural and managerial features highlighted in earlier literature:

1. **Governance and Incentives:**

   PSBs face multiple, often conflicting objectives (developmental, political, social), whereas PVBs are subject to stronger market discipline and shareholder scrutiny. This can lead to more conservative lending and faster recognition of stress in PVBs.

2. **Portfolio Composition:**

   - PSBs, especially PNB, historically had higher exposure to large corporate and infrastructure projects and to government-sponsored programmes, which are more vulnerable to delays and policy risk.
   - PVBs have a more diversified and retail-oriented portfolio, spreading credit risk across many smaller borrowers.

3. **Risk Management and Monitoring:**

   Studies indicate that banks with better risk management systems, early warning frameworks and capital buffers tend to exhibit lower NPAs. PVBs generally invest heavily in analytics, credit scoring and automated monitoring, which may explain HDFC's consistently low GNPA and ICICI's rapid improvement.

4. **Policy and Resolution Mechanisms:**

   The sharp decline of PSB NPAs between 2021 and 2025 coincides with intensive resolution under IBC, sale of bad loans to asset reconstruction companies, write-offs, and targeted recovery drives

Residual Risks

Even with low GNPA ratios:

- Some state-level and sectoral pockets—such as agriculture in certain states and microfinance/ unsecured retail—remain stressed.
- Banks must be cautious that aggressive growth in new segments does not generate a fresh NPA cycle, especially in unsecured retail loans and small-ticket lending.

Findings

1. **Substantial Improvement in NPAs (2019–2025):** All four sample banks improved their GNPA ratios between 2019–20 and 2023–24, and system-wide GNPA declined to about 2.3% by March 2025.
2. **Persistent Ownership Gap, Narrowing over Time:** PSBs (SBI, PNB) still display higher GNPA ratios than PVBs (HDFC, ICICI), but the difference is now much smaller compared to the early 2010s.

Bank-Specific Trajectories:

- SBI and ICICI Bank show steady, almost linear GNPA reduction.
- PNB exhibits a steep fall from a very high initial level, reflecting heavy legacy stress and subsequent clean-up.
- HDFC Bank maintains consistently low GNPA, acting as a benchmark for asset quality.
- 4. **Role of Governance, Portfolio and Policy:** Differences in governance structures, risk culture, portfolio mix and the intensity of policy-driven resolution are critical to explaining the NPA patterns observed across these banks.

Policy and Managerial Implications

1. Strengthen Risk Governance in PSBs: Continued reforms in PSB board independence, professional management and performance-linked incentives can further reduce political interference and improve credit decisions.
2. Maintain Prudence in Retail and Unsecured Lending: Both PSBs and PVBs must ensure that aggressive expansion in personal loans, credit cards and microfinance is backed by robust risk assessment, to

avoid transferring the NPA problem from corporate to retail portfolios.

3. Focus on Resolution Quality, not Just Write-offs: While write-offs help clean balance sheets, sustainable asset-quality improvement requires timely restructuring, sincere recovery efforts and revival of viable projects.
4. Granular Data Disclosure: Regulators and banks should continue improving granularity and timeliness of NPA data (by sector, geography, ticket size) so that researchers and policymakers can better identify emerging stress.

Limitations and Scope for Future Research

- ❖ The study is limited to four banks and may not capture all heterogeneity within PSBs and PVBs.
- ❖ Bank-level coverage for FY2024–25 is restricted to selected March 2025 snapshots; full annual data are still emerging.
- ❖ No econometric tests have been performed; future work can use panel regression or difference-in-means tests across larger samples.
- ❖ Future research can also integrate profitability, capital adequacy and market-based measures with NPA indicators to explore the broader impact of NPA reduction..

References

- Bawa, J. K., Goyal, V., & Mitra, S. K. (2019). An analysis of NPAs of Indian banks: Using a comprehensive framework of 31 financial ratios. IIMB Management Review, 31(1), 51–62. DOI: 10.1016/j.iimb.2018.08.004
- Das, S. K. (2023). NPAs in India's banks: Trends and determinants. Journal of Management & Business (various issues).
- Das, S. K. (2025). Drivers of NPAs in Indian Banks: An Empirical Analysis of Bank-Specific Determinants. International Journal of Empirical Economics, 4(3). DOI: 10.1142/S2810943025500076
- Kadanda, D., & co-authors (2018). Non-performing assets and its determinants in the Indian public sector banks. Journal of Social and Economic Development, 20(2), 275–300. DOI: 10.1007/s40847-018-0068-0.
- Kandpal, V. (2020). Non-performing assets in India: A critical analysis of public and private sector banks. Corporate Governance and Sustainability Review, 4(1), 65–73. DOI: 10.22495/cgsrv4i1p6.
- Mishra, A. K. (2021). Non-performing assets and its determinants in the Indian banking system. International Journal of Finance & Economics. DOI: 10.1002/ijfe.2102.
- Rao, A. S. K., & Reddy, K. J. (2025). Non-Performing Assets: Status and Trends of the Select Public and Private Sector Banks in India. Journal of Economics, Management and Trade, 31(10), 20–29. DOI: 10.9734/jemt/2025/v31i101360
- Thakur, P. K. (2025). A comparative study of non-performing assets between public and private sector banks in India. International Journal of Finance, Management and Economics, 8(2), 212–216. DOI: 10.33545/26179210.2025.v8.i2.585.
- "A Study on Determinants of NPAs of Indian Banks." International Journal of Business and Management Invention, 12(12), 15–24 (2023).
- RBI. Financial Stability Report, June 2025, and related communications.
- Ministry of Finance / PIB. (2025). "Gross NPAs reduce from 9.11% to 2.58% from March 2021 to March 2025.