COHERENCE – The Multidisciplinary Research Journal | ISSN: 0976-5301
Volume No: 17, (Special Issue: June 2026) | Peer Reviewed & Refereed Journal (IF: 7.85)
PP: 149-159 | Journal Website www.coherencejournal.in

IMPACT OF ASSET QUALITY REVIEW ON NON-PERFORMING ASSETS IN INDIAN BANKING SECTOR

Harsha B D

Associate Professor
Department of Economics, BTCG Govt. First Grade College. Somwarapet, Kodagu

ABSTRACT

Banking is considered as the life blood of all country's economy. Any issue relating to the banking sector may favourably or adversely affect the economy. An efficient, effective banking sector can play an important role in ensuring rapid growth in countless sectors of the economy and is key requirement for a country. Banking sector Playing vital role and it is one of the most active sectors in Indian economy. They accepting deposits from individuals and provide loans to individuals and institutions. They encourage capital formation and investment in new enterprises and offer essential financial resources for development. In this procedure banks are prone to risk of loss due to the uncertainties of counterparty. This loss of assets and non-payment of loan rise in Non-Performing Asset, this may affect on productivity and quality assets in financial statements of banking system. High levels of Non-Performing Assets deteriorate the financial stability of banks, reducing their capability to lend and support economic growth. The lack of liquidity prevents banks from lending for other productive activities in the economy. This study explores that the trends of Non-Performing Assets in Indian banking and impact of the asset quality review on Non-Performing Assets in India. This study shows that Indian banks have significantly reduced their non-performing assets (NPAs) from the peak seen five years ago, led by a mix of improved borrower selection, more effective debt recovery, and heightened debt awareness among large borrowers.

Keywords: Banking sector Non-Performing Assets (NPAs), Asset quality review,

INTRODUCTION

Banking is considered as the life blood of all country's economy. Any issue relating to the banking sector may favourably or adversely affect the economy. An efficient, effective banking sector can play an important role in ensuring rapid growth in countless sectors of the economy and is key requirement for a country. Banking sector Playing vital role and it is one of the most active sectors in Indian economy. They accepting deposits from individuals and provide loans to individuals and institutions. They encourage capital formation and investment in new enterprises and offer essential financial resources for development. And also, Banks are also a means for inclusive development because financial Inclusion is a key aspect to confirm "faster sustainable and more inclusive growth". In this procedure banks are prone to risk of loss due to the uncertainties of counterparty. This loss of assets and non-payment of loan rise in Non-Performing Asset, this may affect on profitability and quality assets in financial statements of banking system

High levels of Non-Performing Assets deteriorate the financial stability of banks, reducing their ability to lend and support economic growth. Banks won't have sufficient funds for other development schemes which will influence the economy. To maintain a profit margin, banks will be forced to increase interest rates. Rising NPAs weaken the bank's image, making the public lose trust in banks. The depositors may withdraw their deposits causing liquidity issues for banks. The lack of liquidity prevents banks from lending for other productive activities in the economy. This study explores that the trends of Non-Performing Assets in Indian banking and impact of the asset quality review on Non-Performing Assets in India. This study shows that Indian banks have significantly reduced their non-performing assets (NPAs) from the peak seen five years ago, led by a mix of improved borrower selection, more effective debt recovery, and heightened debt awareness among large borrowers.

WHAT ARE NON-PERFORMING ASSETS?

Non-performing asset meaning are loans or advances made by banks and financial institutions that have stopped generating income for the lender. They are also referred to as "distressed assets" or "troubled assets".

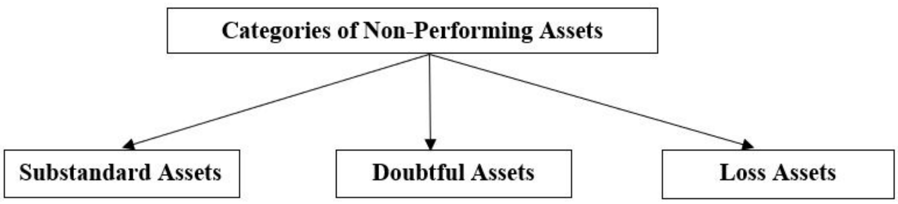
In simple terms, NPA meaning in banking are those assets that are considered nonperforming when the debtor fails to make timely payments of principal and interest for a specified period, usually 90 days or more. NPAs indicate a higher risk of default and financial instability.

They can include several types of loans such as personal loans, business loans, mortgages, bonds, and other financial instruments like credit card debt. Banks strive to minimize NPAs as they effect profitability and require provisioning for potential losses.

Some of the Non-Performing Assets of bank examples are:

- Non-Performing Loans (NPLs) in banking
- Defaulted mortgages
- Unpaid credit card debt
- Overdue business loans
- Bad debts in the corporate sector
- Non-performing assets in agriculture

Non-Performing Assets (NPAs) can be found in various sectors of the economy. Here are some examples of NPAs:



a) **Sub-Standard Assets:** An asset is categorized as falling below standard if it maintains its non-performing asset (NPA) status for a period less than or equal to 12 months.

b) **Doubtful Assets:** An asset is labeled as in question if it retains its non-performing asset (NPA) status for more than 12 months.

c) **Loss Assets:** An asset is deemed a loss asset when it becomes “uncollectible” or possesses such minimal value that its viability as a bankable asset is not recommended. However, some recovery value may still exist, as the asset has not been entirely written off.

GROSS NON-PERFORMING ASSETS

Gross Non-Performing Assets (NPA) is a term used by commercial banks to define the total amount of unpaid debt that is classified as a non-performing loan. It is calculated by adding up all the loan accounts that are considered Gross Non-Performing Assets

NET NON-PERFORMING ASSETS

Net Non-Performing Assets (NNPA) is the amount remaining after deducting doubtful and unpaid debts from the GNPA. It is the real loss suffered by the bank. Gross NPA (GNPA) denotes the total of all the loan assets that haven't been repaid by the borrowers within the ninety-day period.

The primary difference between Gross NPA and Net NPA is that Gross NPA does not take into account the provisions that the bank has made against its non-performing loans, while net NPA does. This means that net NPA is a more correct measure of the financial health of a bank than gross NPA.

THE EFFECTS OF NPAS ON BANKS

Carrying nonperforming assets, also referred to as nonperforming loans, on the balance sheet places three distinct burdens on lenders. The nonpayment of interest or principal lessens cash flow for the lender, which can disrupt budgets and decrease earnings. Loan loss provisions, which are set aside to cover potential losses, reduce the capital available to provide subsequent loans. Once the actual losses from defaulted loans are determined, they are written off against earnings.

EFFECTS OF NPA ON INDIAN ECONOMY

The higher rates of NPA can lead to the following impacts on our economy:

- ❖ There will be a shortage of funds in the Indian security markets as due to this increasing NPA very few banks will be willing to give a loan if they are not sure of the recovery of the due amount.
- ❖ The shareholders will find it hard to continue its process as they will lose money where the banks will find it tough to survive.
- ❖ There will be a hike of interest rate due to the lack of confidence in the banking sectors which will, in turn, affect the depositors who are willing to take loans for their projects.
- ❖ The retail customers will also have a tough time paying a higher rate of interest for the loan.
- ❖ The NPA will lead to a higher cost of capital, higher inflation, therefore, lesser growth which will directly affect the Indian economy due to low take off funds.
- ❖ The estimated extent of NPA is equal to the size of the UP budget and if these amounts are recovered it will be very helpful for the growth of Indian economy.

STRATEGIES FOR REDUCING NPAS

In order to maintain financial stability and profitability of the Banks, it is crucial to reduce Nonperforming assets (NPAs). NPAs are loans and advances that have stopped generating income for the bank because the borrower has failed to repay them.

Reducing NPAs is an ongoing process that requires a combination of prudent lending practices, effective risk management and adaptability to changing economic conditions.

Banks can adopt the following strategies:

- Effective Credit Risk Assessment.
- Prudent Lending Practices.
- Loan Monitoring.
- Asset Quality Review (AQR)
- Loan Recovery Mechanisms.
- Risk Diversification.
- Stress Testing.
- Loan Loss Provisioning.
- Effective Legal Framework
- Customer education and financial literacy.
- Technological solutions
- Regulatory Compliance
- Staff Training

REVIEW OF LITERATURE

Nirali J Kantharia (2020) "An Analysis on Asset Quality and its Impact on Profitability of Indian Banking- Selected Private Sector Banks" in This study analysing status of asset quality of Indian banking. This study shows the comparison between selected private sector banks in relation to Non-Performing Assets. For this study data were collected from secondary sources and for period of three year 2017-2019. Finding different ratios for analysing asset quality. The study found NPA comparison of major private banks and the increasing trends in NPAs shown poor assets quality in private sector banks.

Dr. Prabhat Kumar Pani (2022) "Non-Performing Assets (NPA): Some Suggestions for Reducing NPA" The objective of this aper is to highlight the concept of non-performing assets, to study the general reasons for assets to become non-performing assets and to make appropriate suggestions based on findings of the study to avoid future NPAs and to manage existing NPAs in Indian Banks.

RESEARCH GAP

There are a good number of studies, explaining trends of NPAs in Indian Banking, factor affecting on increasing in NPAs in Indian Banking. The literature survey revealed some of the study was related to, issues and problems for NPAs in Indian Banking Systema, and trends in NPAs in Indian Banking, there are only few studies focused on and remedies for reduce NPAs in Indian Banking system and current scenario of NPAs in Indian Banking system. Thus, the review of literature clearly shows that there is dearth of studies relating Impact of asset quality review on non-performing assets in Indian banking sector. Hence the present study makes an attempt to explore Impact of asset quality review on non-performing assets in Indian banking sector.

OBJECTIVE OF THE STUDY

1. To Explore the trends of NPAs in schedule banks in India.
2. To examine the relation Between Net NPAs and Net profit of Banks in India.

Hypothesis of the Study

The following hypothesis have been framed in the present study

1. Non-performing assets ratio for All Schedule Commercial Banks in India continued the downward trend.
2. This Is a Negative Correlation Between Net NPAs and Net Profit of Banks in India.

METHODOLOGY

The present study is on empirical investigation purely based on secondary data. Secondary data collected from Various Books, Newspapers, journals, the RBI website. So, the quality of study depends upon accuracy, reliability and quality of that data. The data is analyzed by using the Simple tables, Charts, percentage method is used to analyses the data, and Pearson Correlation Coefficient used to examine the relation Between Net NPAs and Net profit of Banks in India.

NON-PERFORMING ASSETS IN INDIAN BANKING SECTOR

Banking is considered as the life blood of all country's economy. Any issue relating to the banking sector may favourably or adversely affect the economy. An efficient, effective banking sector can play a catalytic role in ensuring rapid growth in several sectors of the economy and is key requirement for a country. Banking sector Playing vital role in Indian economy by the process of accepting deposits from individuals and lending loans/credit, they control liquidity in the market. They promote capital formation and investment in new enterprises and provide necessary financial resources for development. And also, Banks are also a tool for inclusive development because financial Inclusion is a key aspect to ensure "faster sustainable and more inclusive growth". In this process banks are prone to risk of loss due to the uncertainties of counterparty. This loss of assets and non-payment of loan rise in Non-Performing Asset, this may impact on success and quality assets in financial statements of banking system

High levels of Non-Performing Assets deteriorate the financial stability of banks, reducing their ability to lend and support economic growth. Banks won't have sufficient funds for other development projects which will impact the economy. To maintain a profit margin, banks will be forced to increase interest rates. Maintaining a low rate of loan defaults is a desirable characteristic of a well-functioning financial system that otherwise leads to severe macroeconomic imbalances. A significant increase in nonperforming assets can be considered an indicator of the onset of a financial crisis which is often associated with subsequent slower medium-term growth. Thus, a rise in NPA may result in lower economic growth due to lesser credit disbursement by the banks plagued by high NPA rates. Since many businesses resort to banks for their financing and working capital requirements, a decline in credit from the banking sector to the economy when the economy is already in a downturn will amplify business cycles. This makes NPAs the problem of the lenders, i.e., financial institutions and the policymakers who wish to put the economy on the track to higher growth.

Indian public sector banks collectively owed approximately 5.42 trillion Indian rupees in non-performing assets in fiscal year 2022. This value was much higher, at around 7.5 trillion

ISSN: 0976-5301
Peer Reviewed & Refereed Journal (IF: 7.85)
Journal Website www.coherencejournal.in

rupees in the 2019 fiscal year, indicating a slow but slight relief for India's economy in terms of non-paying assets at public banks. Scheduled commercial banks' net non-performing assets (NPA) ratio fell to a 10-year low of 3.9 per cent in March 2023, the Reserve Bank of India noted in the latest edition of its Financial Stability Report. Gross and net NPA ratios have fallen from a high of 11.5 per cent and 6.1 per cent in March 2018 to 3.9 per cent and 1.0 per cent in March 2023 respectively.

Table 1: Percentage of Bank group-wise trends of NPAs in India's banks: 2005–2022

	All SCBs		Public Sector Banks		Private Banks		Foreign Banks	
Years	**Gross NPAs**	**Net NPAs**	**Gross NPAs**	**Net NPAs**	**Gross NPAs**	**Net NPAs**	**Gross NPAs**	**Net NPAs**
2005–06	3.3	1.2	3.7	1.3	2.4	1	2.1	0.8
2006–07	2.5	1	2.7	1.1	2.2	1	1.9	0.7
2007–08	2.2	1	2.2	1	2.5	1.1	1.9	0.8
2008–09	2.3	1.1	2	0.9	2.9	1.3	4.4	1.8
2009–10	2.5	1.1	2.3	1.1	3	1	4.4	1.8
2010–11	2.4	1	2.3	1.1	2.5	0.6	2.6	0.7
2011–12	2.9	1.3	3.2	1.5	2.1	0.5	2.8	0.6
2012–13	3.2	1.7	3.6	2	1.8	0.5	3	1
2013–14	3.8	2.1	4.4	2.6	1.8	0.7	3.9	1.1
2014–15	4.3	2.4	5	2.9	2.1	0.9	3.2	0.5
2015–16	7.5	4.4	9.3	5.7	2.8	1.4	4.2	0.8
2016–17	9.3	5.3	11.7	6.9	4.1	2.2	4	0.6
2017–18	11.2	6	14.6	8	4.7	2.4	3.8	0.4
2018–19	9.08	3.7	11.59	4.8	5.3	2	2.99	0.5
2019–20	8.21	2.8	10.25	3.7	5.45	1.5	2.34	0.5
2020-21	7.3	2.4	9.1	3.1	4.8	1.4	3.6	0.8
2021-22	5.8	1.7	7.3	2.2	3.8	1.0	2.9	0.6

Source: Annual accounts of respective banks and Off-site returns (Global Operations), RBI.

The current crisis in India's banking system is largely due to the unprecedented accumulation of non-performing loans. All banks, irrespective of their ownership, have registered a substantial volume of bad loans, though the incidence of NPA is prevalent in the PSBs. The widespread prevalence of bald loans came to light with the conduct of an asset quality review (AQR) in 2015 by the RBI. The ratio of nonperforming advances to total advances (GNPA ratio) of the Scheduled Commercial Banks has risen significantly to a mammoth 11.2% in 2017–18. The NPA figures of the PSBs increased significantly, from 2% in 2008–09 to 14.6% in 2017–2018. Similarly, the GNPA ratio of the private banks increased to 5.45% in 2019–2020. The foreign banks also recorded substantial rise in their NPA figures. However, recent data suggests that it declined in later years. Gross NPA ratio of public sector banks (PSBs) rose from 5.0% in March 2015 to 14.6% in March 2018. The proportion of standard restructured advances reduced progressively from 7.0% to 0.8% during the same period. Increase in NPAs led to additional provisioning, which affected the profitability of banks, and number of PSBs were brought under the prompt corrective action (PCA) framework of RBI. This had an adverse impact on business growth of PSBs. Indian banks have significantly reduced their non-performing assets (NPAs) from the peak seen four years ago, led by a mix of improved borrower selection, more effective debt recovery, and heightened debt awareness among large borrowers.

Table 2: Sector-wise GNPAs of Banks in India (Amount in crore)

Bank Group	Priority Sector		*Of which*						Non-priority Sector		Total NPAs	
			Agriculture		Micro and Small Enterprises		Others					
	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent
PSBs												
2021	2,57,858	44.69	1,14,911	19.92	1,01,786	17.64	41,161	7.13	3,19,116	55.31	5,76,974	100.00
2022	2,43,283	47.94	1,10,649	21.80	96,231	18.96	36,403	7.17	2,64,225	52.06	5,07,508	100.00
PVBs												
2021	50,557	27.04	18,900	10.11	23,473	12.56	8,184	4.38	1,36,384	72.96	1,86,941	100.00
2022	48,588	28.71	20,863	12.33	17,799	10.52	9,926	5.86	1,20,676	71.29	1,69,264	100.00
FBs												
2021	1,802	17.67	329	3.23	1,194	11.70	279	2.74	8,397	82.33	10,199	100.00
2022	2,555	18.53	481	3.49	1,638	11.88	436	3.16	11,231	81.47	13,786	100.00
SFBs												
2021	4,974	83.31	1,510	25.28	2,049	34.32	1,415	23.70	996	16.69	5,971	100.00
2022	6,111	87.48	1,999	28.62	2,024	28.98	2,087	29.88	874	12.52	6,985	100.00
All SCBs												
2021	3,15,192	40.40	1,35,650	17.39	1,28,502	16.47	51,039	6.54	4,64,893	59.60	7,80,085	100.00
2022	3,00,537	43.09	1,33,993	19.21	1,17,692	16.87	48,852	7.00	3,97,006	56.91	6,97,543	100.00

Notes: 1. Per cent: Per cent of total NPAs.
2. Constituent items may not add up to the total due to rounding off.
Source: Off-site returns (domestic operations), RBI.

Table 3: Net profits and losses of scheduled commercial banks in India from financial year 2019 to 2022, by sector (in billion Indian rupees)

Years	Public Sector Banks	Private Banks	Foreign Banks
2017	-870	220.8	108.52
2018	-666.08	276.21	145.08
2019	-260.15	191.11	161.8
2020	-318.18	694.77	189.65
2021	665.4	962.23	183.85
2022	1046.49	1170	228

https://www.statista.com/statistics/1222928/india-net-profit-of-banks-by-sector/

In financial year 2022, public sector banks in India reported net profits of around 665 billion Indian rupees. In financial year 2019, these banks had lost 666 billion Indian rupees. The highest net profits were reported by private sector banks with 962 billion Indian rupees in total in fiscal year 2022. Foreign banks were able to increase their net profits during the examined period.

IMPACT OF ASSET QUALITY REVIEW ON NON-PERFORMING ASSETS IN INDIAN BANKING SECTOR

Asset Quality Review (AQR) initiated by the Reserve Bank of India (RBI) in 2015 revealed high incidence of non-performing assets (NPAs) in banks. This was stated by the Union Minister of State for Finance Dr Bhagwat Kisanrao Karad in a written reply to a question in Lok Sabha today. The Reserve Bank of India (RBI) has conducted an asset quality review with a view to cleaning up balance sheets of banks. This has resulted in mounting losses for the banking sector.

Following the AQR results, the Minister stated, banks initiated transparent recognition, reclassifying standard restructured advances as NPAs and providing for expected losses on such advances. Thus, primarily as a result of transparent recognition of advances with stress as NPAs, gross NPA ratio of public sector banks (PSBs) rose from 5.0% in March 2015 to 14.6% in March 2018. The proportion of standard restructured advances reduced progressively from 7.0% to 0.8% during the same period. Increase in NPAs led to additional

ISSN: 0976-5301
Peer Reviewed & Refereed Journal (IF: 7.85)
Journal Website www.coherencejournal.in

provisioning, which affected the profitability of banks, and number of PSBs were brought under the prompt corrective action (PCA) framework of RBI. This had an adverse impact on business growth of PSBs.

As a result of implementation of Reforms, the Minister stated that the performance of PSBs has significantly improved, as reflected in the following:

- ❖ Asset quality has improved significantly with Gross NPA ratio of PSBs declining from the peak of 14.6% in March 2018 to 5.53% December 2022.
- ❖ Resilience has increased with provision coverage ratio of PSBs rising from 46.0% to 89.9% in December 2022.
- ❖ Capital adequacy ratio of PSBs has improved significantly from 11.5% in March 2015 to 14.5% in December 2022.
- ❖ All PSBs are in profit with aggregate profit being Rs. 66,543 crores in the financial year (FY) 2021-22, and profit continued with PSBs earning aggregate profit of Rs. 70,167 crores in first nine month of FY 2022-23.
- ❖ Banks, earlier placed under Prompt Corrective Action (PCA) framework by RBI, have made significant improvement resulting in removal of each one of them from the PCA restrictions.
- ❖ Total market cap of PSBs (excluding IDBI Bank, which was categorised as private sector bank in January 2019) has increased from Rs. 4.52 lakh crore in March 2018 to Rs. 10.63 lakh crore in December 2022.

Table 4: NPAs of SCBs Recovered through Various Channels (Amount in crore)

Recovery Channel	2020-21				2021-22 (P)			
	No. of cases referred	Amount involved	Amount recovered*	Col. (4) as per cent of Col. (3)	No. of cases referred	Amount involved	Amount recovered*	Col. (8) as per cent of Col. (7)
1	2	3	4	5	6	7	8	9
Lok Adalats	19,49,249	28,084	1,119	4	85,06,648	1,19,005	2,777	2.3
DRTs	28,182	2,25,361	8,113	3.6	29,487	47,165	12,114	25.7
SARFAESI Act	57,331	67,510	27,686	41	2,49,475	1,21,642	27,349	22.5
IBC @ #	536	1,35,319	27,311	20.2	885	1,99,250	47,421	23.8
Total	**20,35,298**	**4,56,274**	**64,229**	**14**	**87,86,495**	**4,87,062**	**89,661**	**18.4**

Notes: 1. P: Provisional.
2. *: Refers to the amount recovered during the given year, which could be with reference to the cases referred. during the given year as well as during the earlier years.
3. DRTs: Debt Recovery Tribunals.
4. @: Data in column no. 2 and 6 are the cases admitted by National Company Law Tribunals (NCLTs) under IBC.
5. #: Data in column no. 3, 4 and 5 are with respect to 121 cases, and in column no. 7, 8 and 9 are with respect to 143 cases, where in resolution plans were approved during 2020-21 and 2021-22, respectively.

Source: Off-site returns, RBI and Insolvency and Bankruptcy Board of India (IBBI).

Banks have multiple channels through which stressed assets can be resolved. As fresh insolvency cases could be admitted after the one-year suspension during COVID-19, admissions under the IBC increased by 65 per cent during 2021-22. Although the number of cases referred under Lok Adalats and SARFAESI Act increased by 336 per cent and 335 per cent, respectively, the IBC mechanism was the leader in terms of amount involved (Table 4). Defying the lull in the interim years, SARFAESI and DRTs yielded recovery rates comparable to the IBC mechanism. The pre-pack insolvency resolution process, introduced for MSMEs in April 2021, is yet to gain traction and only two cases have been admitted under the channel so far (up to September 2022).

ISSN: 0976-5301
Peer Reviewed & Refereed Journal (IF: 7.85)
Journal Website www.coherencejournal.in

Hypothesis Testing

Hypothesis of the Study

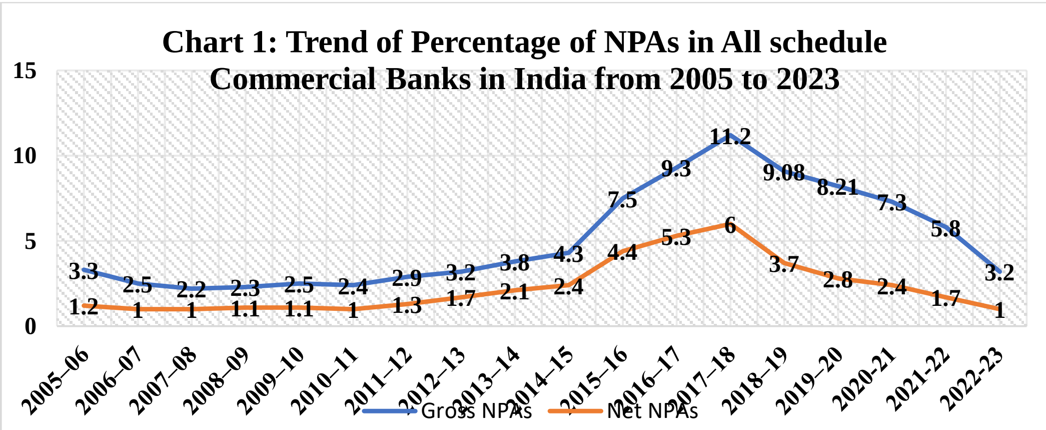
The following hypothesis have been framed in the present study

H1: Non-performing assets ratio for All Schedule Commercial Banks in India continued the downward trend.

Table 4: Trend of Percentage of NPAs in All schedule Commercial Banks in India from 2005 to 2023

Years	All SCBs	
	Gross NPAs	Net NPAs
2005–06	3.3	1.2
2006–07	2.5	1
2007–08	2.2	1
2008–09	2.3	1.1
2009–10	2.5	1.1
2010–11	2.4	1
2011–12	2.9	1.3
2012–13	3.2	1.7
2013–14	3.8	2.1
2014–15	4.3	2.4
2015–16	7.5	4.4
2016–17	9.3	5.3
2017–18	11.2	6
2018–19	9.08	3.7
2019–20	8.21	2.8
2020-21	7.3	2.4
2021-22	5.8	1.7
2022-23	3.2	1

Source: Annual accounts of respective banks and Off-site returns (Global Operations), RBI.



The gross non-performing assets (GNPA) ratio declined to 32% and net non-performing assets (NNPA) ratio declined to 1.0 per cent in 2023, the RBI said in its bi-annual Financial Stability Report (FSR). The gross non-performing assets ratio for Indian banks continued the downward trend from five year. Indian banks have significantly reduced their non-performing assets (NPAs) from the peak seen five years ago, led by a mix of improved borrower selection, more effective debt recovery, and heightened debt awareness among large borrowers.

H2: This is a negative correlation Between Net NPAs and Net profit of Banks in India.

Table 5: Net NPAs and Net profit of Banks in India from 201- to 2022

		Public Sector Banks		**Private Banks**		**Foreign Banks**	
Years		Net NPAs	Net profit	Net NPAs	Net profits	Net NPAs	Net profits
2017		6.9	-870	2.2	220.8	0.6	108.52
2018		8	-666.08	2.4	276.21	0.4	145.08
2019		4.8	-260.15	2	191.11	0.5	161.8
2020		3.7	-318.18	1.5	694.77	0.5	189.65
2021		3.1	665.4	1.4	962.23	0.8	183.85
2022		2.2	1046.49	1.0	1170	0.6	228
Pearson Correlation Coefficient	**N**	6	6	6	6	6	6
	Mean	4.782	-67.087	1.75	585.853	0.567	169.483
	R	**-0.8712**		**-0.9446**		**0.2322**	
	R^2	**0.759.**		**0.8923**		**0.0539**	
	Remarks	This is a strong negative correlation, which means that high X variable scores go with low Y variable scores (and vice versa).		This is a strong negative correlation, which means that high X variable scores go with low Y variable scores (and vice versa).		Although technically a positive correlation, the relationship between variables is weak (the nearer the value is to zero, the weaker the relationship).	

CONCLUSION

Banking sector Playing vital role and it is one of the most active sectors in Indian economy. They promote capital formation and investment in new enterprises and provide essential financial resources for development. High levels of Non-Performing Assets deteriorate the financial stability of banks, reducing their ability to lend and support economic growth. The lack of liquidity prevents banks from lending for other productive activities in the economy. Banks won't have adequate funds for other development schemes which will impact the economy. To maintain a profit margin, banks will be forced to increase interest rates. Rising NPAs undermine the bank's image, making the public lose trust in banks. The depositors may withdraw their deposits causing liquidity issues for banks.

This study explores that the trends of Non-Performing Assets in Indian banking and impact of the asset quality review on Non-Performing Assets in India. This study shows that Indian banks have significantly reduced their non-performing assets (NPAs) from the peak seen five years ago, led by a mix of improved borrower selection, more effective debt recovery, and heightened debt awareness among large borrowers. Bad loans continued to decline rapidly in 2023 from 5.8% of total assets in FY22 to 3.96% as of March 2023 to 3.33% as of September 2023. Net non-performing assets (NPAs) also fell from 1.7% of total assets in FY22 to 1 % as of March 2023.

REFERENCES

1. Nirali J Kantharia (2020) "An Analysis on Asset Quality and its Impact on Profitability of Indian Banking- Selected Private Sector Banks" International Journal of Creative Research Thoughts (IJCRT), Volume 8, Issue 11, ISSN: 2320-2882, Page no: 3060-3064.
2. Dr. Prabhat Kumar Pani (2022) "Non-Performing Assets (NPA): Some Suggestions for Reducing NPA" International Journal of Advances in Engineering and Management (IJAEM) Volume 4, Issue 10, ISSN: 2395-5252, Page no: 68-77.

ISSN: 0976-5301
Peer Reviewed & Refereed Journal (IF: 7.85)
Journal Website www.coherencejournal.in

3. RBI annual reports from 2015 to 2022.
4. Time of India, Improvement of asset quality of banks January 7, 2022, 2:27 PM IST
5. https://byjus.com/bank-exam/npa-critical-challenge-for-indian-banking-sector