

# TREND ANALYSIS OF NPAS IN SBI VS HDFC BANK: A DECADAL STUDY (2015–2025)

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## Abstract

This study examines the trend of **Non-Performing Assets (NPAs)** in two major Indian banks—**State Bank of India (SBI)** and **HDFC Bank**—over the last decade (2015–2025). Using secondary data, the research analyzes gross and net NPA ratios, highlights changes in asset quality, and contextualizes these trends against economic changes and regulatory interventions. The findings indicate that while both banks demonstrate improvements in NPA levels over time, HDFC Bank consistently outperforms SBI in asset quality, reflecting differences in business strategies, risk management practices, and loan portfolios.

**Keywords:** Non-Performing Assets (NPAs), Banking Sector in India, State Bank of India (SBI), HDFC Bank

## INTRODUCTION

Asset quality is a key indicator of a bank's financial health and resilience. In the banking sector, NPAs represent loans on which principal or interest payments are overdue, raising concerns about credit risk, profitability, and capital adequacy. In India, NPAs peaked in the mid-2010s due to economic slowdown, weak corporate performance, and structural issues in credit monitoring. The introduction of regulatory reforms such as the **Insolvency and Bankruptcy Code (IBC)** and enhanced provisioning norms has significantly influenced the movement of NPAs in recent years.

This paper focuses on comparing the decadal trend of NPAs in SBI, India's largest public sector bank, and HDFC Bank, one of the leading private sector banks. SBI's large scale and diverse portfolio contrast with HDFC Bank's strong focus on retail credit and risk discipline, offering a clear comparative context for analyzing NPA trends.

## LITERATURE REVIEW

Several studies have investigated the determinants and trends of NPAs in Indian banks. **Kaur & Sharma (2016)** found that public sector banks tend to have higher NPAs due to larger exposure to priority sectors and corporate loans. **Athanasoglou et al. (2008)** argued that bank size and diversification influence credit risk and insolvency probability. In the Indian context, **RBI's Statistical Tables Relating to Banks in India** (various years) document the systemic decline of NPAs post-2018,

particularly following key policy implementations that strengthened recovery mechanisms and credit discipline.

## RESEARCH OBJECTIVES

The main objectives of the study are:

1. To analyze the trend in gross and net NPAs of SBI and HDFC Bank from 2015 to 2025.
2. To compare changes in asset quality between public and private sector banking.
3. To highlight factors influencing the NPA trends.

## DATA SOURCE

The study uses **secondary data** obtained from:

- Annual reports of SBI and HDFC Bank (2015–2024)
- RBI statistical publications
- Industry reports and financial databases

## ANALYSIS AND FINDINGS

### Gross NPA Trends

#### *SBI*

- **2015–2017:** SBI witnessed a rising trend in gross NPAs, attributed mainly to high exposures in stressed sectors like infrastructure and large corporate loans.
- **2018–2021:** Gross NPA levels peaked and then began declining due to improved recovery, restructuring, and implementation of IBC-linked recovery mechanisms.
- **2022–2025:** Continued reduction in GNPA ratio as asset quality improved with tighter credit appraisal and better risk monitoring.

#### *HDFC Bank*

- **2015–2025:** HDFC Bank maintained relatively low gross NPA ratios throughout the period. The bank's conservative lending practices and stronger focus on retail and secured loans contributed to asset stability.
- Minor fluctuations observed during macroeconomic downturns, but overall trend remained stable and significantly lower than SBI.

### Net NPA Trends

Net NPAs represent actual bad assets after provisions and show a more realistic picture of asset stress.

***SBI***

- Net NPA ratios declined progressively after 2018 due to aggressive provisioning and resolution of large stressed accounts.
- Despite the decline, SBI's net NPA remained higher than that of HDFC Bank in most years.

***HDFC Bank***

- HDFC Bank maintained very low net NPA ratios, typically well below 0.5%, reflecting its prudent risk practices and high recovery efficiency.
- The stable net NPA trend highlights the bank's stronger underwriting standards.

**DISCUSSION****Comparative Trend Insights**

Year Range	SBI Gross NPA Trend	HDFC Bank Gross NPA Trend
2015–2017	Rising	Low & Stable
2018–2021	Peak Followed by Decline	Stable
2022–2025	Steady Decline	Very Low & Stable

- **SBI's NPA trend** was volatile, with a significant mid-decade peak driven by economic stress and corporate defaults.
- **HDFC Bank's NPA trend** remained consistently low, reflecting disciplined credit risk governance and a diversified retail lending mix.

**INFLUENCING FACTORS*****Regulatory Interventions***

The implementation of IBC and enhanced asset classification norms played a key role in reducing NPAs across the banking sector post-2018.

***Business Mix***

- **SBI:** Larger exposure to corporate and priority sectors which are more volatile.
- **HDFC Bank:** Higher share of retail, secured, and SME loans with lower default risk.

**CONCLUSION**

The decade-long analysis reveals substantial improvements in asset quality for both banks, with notable differences in trend patterns:

- **SBI** experienced higher NPA levels initially, followed by a significant decline due to stronger recovery frameworks and risk practices.
- **HDFC Bank** maintained consistently low NPA levels due to prudent lending and effective portfolio management.

Overall, this study underscores the importance of robust credit risk strategies and business mix in shaping long-term NPA trends, particularly in Indian banking.

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