

Gross NPAs of Scheduled Commercial Banks (SCBs) for domestic operations reach a historic low of 2.15% as of September, 2025

RBI's Asset Quality Review (AQR) in 2015, Government's 4Rs Strategy and other key reforms contribute to decline in Gross NPAs

Lower NPAs Boost Bank Profitability, Strengthen Balance Sheets and Credit Growth

Posted On: 09 FEB 2026 4:35PM by PIB Delhi

The gross NPA ratio i.e. gross NPAs as a percentage of gross loans and advances of Scheduled Commercial Banks (SCBs), for domestic operations, has been continuously declining during the last eight financial years, and were at a historic low of 2.15% as at the end of September, 2025 (provisional data), which is lower than 2010-11 level.

The Reserve Bank of India (RBI) initiated the Asset Quality Review (AQR) in 2015, post which the Government initiated 4R's strategy of recognising NPAs transparently, resolving and recovering value from stressed accounts through clean and effective laws and processes, recapitalising PSBs, and reforms in banks and financial ecosystem to address the problem of rising NPAs and growing loan default. Enabled by these initiatives, a large drop in gross NPAs was achieved by PSBs.

RBI has apprised that the data on gross NPAs of SCBs is not collected by RBI on monthly basis. However, as per the latest data available with RBI, as on 30.9.2025, for domestic operations, the gross NPA ratio of SCBs was 2.15%, PSBs was 2.50%, Private Sector Banks (PVBs) was 1.73% and Foreign Banks was 0.80%. Also, PSBs have a higher decline in gross NPA ratio in comparison with the PVBs and Foreign Banks since March, 2018.

This continuous decline in gross NPAs of SCBs, including PSBs, has led to reduced provisioning by them, which in turn has improved their profitability thereby causing positive impact on the business growth. It also indicates that the asset quality as well as underwriting has improved in PSBs supported by a strong balance sheet and sustained profitability.

Comprehensive measures have been taken by the Government and RBI to prevent, reduce and recover NPAs. Due to this the Slippage Ratio, i.e. fresh accretion of NPAs as a percentage of standard advances has been continuously improving for the last six financial years in respect of PSBs in comparison with PVBs. The slippage ratio in PSBs improved to 0.8% in September, 2025, which is lower than PVBs which stood at 1.8%. The measures taken include, *inter alia*, the following:

- i. Under the PSB Reforms Agenda, comprehensive and automated Early Warning Systems (EWS) were instituted in PSBs, with approximately 80 EWS triggers and use of third party data for time-bound remedial actions in the borrowing accounts to proactively detect stress and in turn reducing slippage into NPAs.
- ii. Moving from the '**Debtor in Possession**' to a '**Creditor in Control**' regime change in credit culture has been effected, with the Insolvency and Bankruptcy Code, 2016 (IBC) fundamentally changing the creditor-borrower relationship. Behavioural impact of IBC may be observed from the fact that as of March 2025, more than 30,000 applications having underlying default of Rs. 13.78 lakh crore have been settled at pre-admission stage itself.
- iii. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI) and the Recovery of Debt and Bankruptcy Act have been amended to make it more effective. Key amendments in SARFAESI, *inter alia*, Empowered RBI to audit and inspect Asset Reconstruction Companies (ARCs) and to impose penalties for non-compliance; mandated registration of all security interests with the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI); created additional DRTs to speed up case disposal; enabled non-institutional investors to invest in Security Receipts.
- iv. Pecuniary jurisdiction of DRTs was increased from Rs. 10 lakhs to Rs. 20 lakhs to enable the DRTs to focus on high value cases resulting in higher recovery for the banks and financial institutions.
- v. PSBs have set-up specialized stressed assets management verticals and branches for effective monitoring and focused follow-up of NPA accounts, which facilitates quicker and improved resolution/ recoveries. Deployment of Business correspondents and adoption of Feet-on-street model have also boosted the recovery trajectory of NPAs in banks.
- vi. Prudential Framework for resolution of stressed assets was issued by RBI on 7.6.2019 to provide a framework for early recognition, reporting and time bound resolution of stressed assets, with a build-in incentive to lenders for early adoption of a resolution plan.
- vii. Government and RBI have been working in coordination to strengthen the various recovery mechanisms available. These include filing of suits in civil courts or in Debts Recovery Tribunals, action under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, filing of cases in the National Company Law Tribunal under the Insolvency and Bankruptcy Code, through negotiated settlements/compromise, and through sale of non-performing assets. In addition to these to address the delays in completion of CIRPs various amendments have been proposed in IBC that are under legislative approval.

This information was given by Minister of State in the Ministry of Finance Shri Pankaj Chaudhary in a written reply to a question in Lok Sabha today.

NB/AD

(Release ID: 2225442) Visitor Counter : 396

Read this release in: Urdu , Marathi , हिन्दी