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A Systematic Literature Review on Non-Performing Assets in the Indian Banking Sector

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Abstract - The Indian banking sector plays a crucial role in the economic development and financial stability of the country. However, the rising amount of NPAs has posed a severe challenge to the financial performance, liquidity, portfolio quality, and profitability of banks. The current research presents a comprehensive review of the existing literature on Non-Performing Assets in the Indian banking industry. The review study is based on secondary information obtained from published research articles in national and international journals. The selected studies include many elements of NPAs such as their origin, drivers, effect on bank profitability, public vs commercial banks, recovery process, legislative changes and risk monitoring techniques.

The assessment says the development of defaulted loans is largely due to inadequate credit evaluation, insufficient loan monitoring, macroeconomic conditions and weak recovery processes. It also shows that public sector banks have, on average reported higher NPAs than private sector banks. Impaired loans have weakened banks' asset quality and profitability sound credit risk management, timely recovery measures, good governance and government initiatives like the findings emphasise the significance of sound credit risk management, timely recovery mechanisms, effective governance, and regulatory initiatives in reducing Non-Performing Assets and improving the overall performance of the banking sector The study synthesises the existing knowledge, identifies the research gaps and emphasises the major research trends. The assessment provides important insights to the researchers, policymakers, regulators and banking professionals in formulating effective strategies for bettering to improve asset quality and ensure the long-term sustainability of the Indian banking sector.

Keywords: Non-Performing Assets (NPAs), Credit Risk Management, Profitability, Recovery Mechanisms, Banking Performance, Systematic Literature Review.

Introduction:

The financial sector contributes significantly to the economic progress and development of the nation by mobilising savings, providing credit, facilitating investment and promoting financial inclusion. The strength of a bank's asset portfolio is a significant measure of its operational and financial performance financial performance. Non-Performing Assets (NPAs): Banks are encumbered by huge non-performing assets (NPAs) that affect their stability and profitability. The Central Bank defines a non-performing asset as one in which interest or principal is exceeding 90 days. Increasing NPAs have a considerable impact on the profitability of banks, increasing the provisions requirements, which in turn restricts credit and weakens the broader financial sector.

The sector has witnessed significant changes a rise in NPAs over the years, to weak credit assessment practices and adverse economic conditions, wilful defaults and sectoral stress. Much research has been conducted on the causes, determinants, impact and the effective management of Non-Performing Assets in the Indian banking sector. However, the dispersed results in journals, times and study methodologies make it difficult to achieve an integrated perspective of the topic. Thus, a systematic evaluation is necessary to summarise the research to date, identify major topics, evaluate research trends, and identify gaps for future research. This research attempts to combine the material available on NPAs in the Indian banking sector and provide insights on their effect on banking performance, recovery techniques and regulatory actions. The findings of this review are anticipated to assist researchers, policymakers and banking professionals in formulating effective methods to enhance asset quality and attain sustainable strength of the banking industry

Objectives:

The primary objective of the current research is to examine the existing literature on Non-Performing Assets (NPAs) in the banking industry. The study aims to analyse the impact of NPAs on the financial performance of banks, evaluate the extent and performance of NPAs across public and private sector banks, and assess the various initiatives and strategies adopted to manage, mitigate, and minimise Non-Performing Assets.

Research Methodology:

The research is based on the published data collected from the existing research articles in national and international journals. A thorough review of scholarly literature was undertaken to develop trends, findings and developments linked to Non-Performing Assets in the banking sector.

Literature Review:

Multiple research papers have been examined by researchers and academicians on different aspects of NPAs in the Indian banking sector, such as causes, determinants, influence on the financial performance of banking, recovery mechanisms and policy reforms. In this comprehensive literature review, pertinent research articles published in national and international publications have been studied and synthesised. The reviewed studies are organised systematically to identify major themes of research, major findings and gaps in the existing literature

1. **Yadav, J., & Yadav, P. (2026)** "A Systematic Literature Review on NPA Management in Indian Banks: Bankers' Perspectives on National Asset Reconstruction Company Limited" stated that NARCL has enabled banks to minimise stressed assets and increase resolution of NPAs. The study revealed that stronger governance, faster legal processes and greater coordination of parties were needed to increase the effectiveness of NPA management.
2. **Alzain, E., and Seraj, A. H. A. (2026),** in their study titled Why Non-Performing Assets Persist: Uncovering the Structural and Macroeconomic Drivers of India's Banking Stress, examined the structural and macroeconomic determinants affecting NPAs in Indian banks. The findings revealed that exchange rate fluctuations, inflation, and the banking industry weaknesses significantly affect NPAs, while long-standing institutional and governance issues remain the primary reasons for the persistence of NPAs.
3. **Ramesh Babu B., N. Chandrasekaran** et al. (2025-2026), in their study "Asset quality and NPA governance practices in Karur Vysya Bank", concluded that proper loan appraisal and digital monitoring and recovery methods lead to a reduction of NPAs. The results effective risk management practices positively influenced the asset quality, financial performance and stability of the banking institution.
4. **Mishra, B., & Padhan, P. C.** Do Macroeconomic Factors Have Any Role to Play in Understanding the Non-Performing Assets in the Indian Banking Sector? The research concluded that bank-specific and economic indicators are key determinants of asset quality and NPAs of Indian banks. The analysis demonstrated that Operational productivity along with a stable macroeconomic environment are of great importance in reducing NPAs.
5. **Rathod, P., and Tiwari, A. (2025),** In their research entitled An Empirical Study of NPAs in Public and Private Sector Banks with Special Reference to Karnataka, the study revealed that public sector banks experienced higher levels of NPAs than private sector banks owing to weaker credit appraisal and recovery mechanisms. to macroeconomic volatility, credit concentration, and operational inefficiencies. The study concluded that stronger credit risk management, improved asset quality practices, and strategic regulatory interventions play a key role in reducing NPAs and enhancing banking stability.
6. **Dr M. Syed Ibrahim and Dr. Ramasamy Thangavelu (2024),** in their work titled A Work on the Composition of NPAs in Scheduled Commercial Banks of India, discovered that the more NPAs there are, the more they reduce the financial performance and strength of banks. To reduce NPAs and improve banking performance, It is imperative to implement better credit appraisal, effective loan monitoring and advanced risk management practices, the study concluded.
7. **Mohanty, S., Mohapatra, S. R. & Mohanty, L. (2023).** Non-Performing Assets of Public, Private and Foreign Banks: A Comparative Study. The analysis revealed that NPAs were higher with public sector banks relative to private and foreign banks; public sector banks in all banking sectors require improved credit risk assessment along with efficient recovery techniques, the research said.
8. **Srinivas, V. S. M., & Pawar, I. A. (2023),** in their research "NPAs and Financial Performance of Public and Private Sector Banks," observed that impaired assets adversely affect the profitability, liquidity, and asset quality of state-owned and private banks. The results showed that appropriate loan risk management and timely recovery measures are essential for improving financial performance and mitigating the association between NPAs.

9. **Pallab Sikdar and Dr. Munish Makkad (2022),** in their study An Empirical Analysis of NPAs and Their Contribution to the Risk Framework of Commercial Banks, highlighted that an escalation in NPA's is associated with a rise in Credit Risk and a decline in operational efficiency of banks. The conclusion was that transparency, effective monitoring and quick recovery procedures are vital to decrease banking risks and improve financial performance.
10. **Maheswari, Y., & Raghunadha Reddy, P (2022).** Non-Performing Assets in Indian Banking Sector: A Literature Review. They have reviewed previous research and have found that increasing NPAs negatively affect the banks' profitability, liquidity and financial stability. The study concluded that tight credit assessment, good risk management and quick recovery procedures have a significant impact in controlling the NPAs and enhancing the profitability of banks.
11. **Maheswari, Y., and Raghunadha Reddy, P. (2022),** in their study titled Non-Performing Assets in Indian Banking Sector: An Analysis of Literature Review, reviewed existing research on NPAs and found that rising NPAs negatively affect banks' profitability, liquidity, and overall financial stability. The study concluded that strict credit appraisal, effective risk management, and timely recovery measures are essential to control NPAs and strengthen the Indian banking sector.
12. **Manoj Kumar Sahoo and Dr. Muralidhar Majhi (2021),** in their study titled A Study on Recovery Management System of NPAs in Indian Banks, found that recovery The study found that recovery mechanisms such as the SARFAESI Act, Lok Adalats, and Debt Recovery Tribunals play a crucial role in minimising NPAs. The findings indicated that strengthening these legal and institutional mechanisms can significantly improve asset quality and enhance the financial performance of banks.
13. **Garg, N. (2021),** in the study titled Factors Affecting NPAs in Indian Banking Sector, identified both bank-specific and macroeconomic factors as the key determinants of NPAs in Indian banks. The analysis concluded that improving credit appraisal, operational efficiency, and risk management practices, along with maintaining a stable economic environment, can help reduce NPAs and strengthen banking performance.
14. **Peerzade, A., and Kumar, S. S. (2021),** in their study titled NPAs of Public Sector Banks and Private Sector Banks in India: A Comparative Study, compared the NPA levels of banks and revealed that state-owned banks had significantly higher NPAs. The findings indicated that robust credit risk mitigation, timely loan recovery, and stronger lending strategies are crucial for reducing NPAs and improving banking performance.
15. **Dr M. Sindhu (2020)** "Study on Non-Performing Assets in India's Scheduled Commercial Banks". The research aimed to analyse the emerging issue of problem loans and their impact on banks' performance. The analysis demonstrated that NPAs lead to an unfavourable impact on the profitability, competitiveness and Capital adequacy of banks. It also spoke about the recovery processes such as Lok Adalat, SARFAESI Act and Debt Recovery Tribunals. The research highlighted the requirement for effective recovery methods to manage loans.
16. **Sharma, R. B., Subba Rao, B. V. S. S., and Kusuma, G. D. V. (2020),** in their study titled Genesis for an Increase of NPAs in Indian Banks: A Comparative Study of Analysis, found that insufficient borrower assessment, deficient loan follow-up and adverse macroeconomic conditions were the major contributors to the increasing incidence of NPAs among Indian banks. The results showed that strengthening credit risk management and adopting proactive monitoring frameworks are crucial to reduce NPAs and improve banking performance.
17. **Kumar, S. (2020),** in the study titled A Study on Non-Performing Assets of Indian Banks: Trend and Recovery, analysed the trends in NPAs and the effectiveness of recovery mechanisms in Indian banks. The study concluded that timely recovery through measures such as the SARFAESI Act, Debt Recovery Tribunals, and Lok Adalats, along with improved credit monitoring frameworks are crucial to reduce NPAs and strengthen banks' financial performance.
18. **R. Karthikeyan and S. Priyadharshini (2019)** conducted "A examine on Non-Performing Assets of Karur Vysya Bank". The research aimed to evaluate the trend and surge in non-performing assets within banking institutions. The findings highlighted that delayed recovery, weak borrower assessment and poor monitoring are the primary determinants for NPAs in Karur Vysya Bank. The findings revealed that effective recovery systems and proper

evaluation of borrowers may improve the loan portfolio quality and profitability.

19. **Agarwala, V., and Agarwala, N. (2019),** in their study titled A Critical Review of Non-Performing Assets in the Indian Banking Industry, analysed the growth pattern of NPAs across The investigation compared public and private banking institutions and demonstrated that public sector banks exhibited a significantly greater increase in non-performing assets than their private sector counterparts. The analysis concluded that sound credit risk governance, effective recovery mechanisms, and continuous monitoring practices play a vital role in reducing NPAs and strengthening the financial performance of the Indian banking industry.
20. **Goswami, A. (2019),** in the study titled Non-Performing Assets in the Indian Banking Industry: In the study "Evolution, Policy Narratives, and a Way Forward," the authors examined the growth and movement of NPAs across different banking groups in India. The analysis showed that public sector banks registered a considerably higher rise in non-performing assets in the post-global financial crisis period. The study emphasised that comprehensive policy interventions, sound credit supervision, and effective recovery strategies are necessary to control NPAs and improve the performance of the banking secto
21. **Abhishek Kumar Singh and Nayan Aggarwal, et al. (2019)** The study revealed that the risk associated with non-performing assets (NPAs) has an immediate adverse effect on the performance of banks, influencing both public and private sector banks negatively. The findings indicated that the asset quality of scheduled commercial banks improved significantly during 2018–19, as the Gross NPA ratio declined from 11.5% to 9.3% by March 2019. The research further concluded that political interference in the operations and lending decisions of public sector banks was one of the major factors contributing to the growth of NPAs in these banks.
22. **Kumar, V. (2018),** A Comparative Analysis of Public Sector, Private Sector and Foreign Banks in India, the authors examined the levels of non-performing assets among public sector, private sector, and foreign banks in India. The findings revealed that public sector banks registered the highest level of NPAs compared with private and foreign banks. The research concluded that robust credit assessment, efficient loan recovery frameworks, and prudent risk management practices are crucial for enhancing asset quality and minimising non-performing assets across the banking industry.
23. **Dr Samir and Deepa Kamra (2018)** conducted "A Comparative Analysis of NPAs in Selected Commercial Banks in India". The research aimed to evaluate the differences in the NPA position among banks and examine its impact on their profitability. The findings revealed that a rise in non-performing assets adversely affected the profitability and financial stability of banks. The study identified inadequate loan supervision and inefficient recovery mechanisms as the major contributors to the growth of NPAs. It further recommended the adoption of robust risk management practices and continuous monitoring of loan accounts to minimise NPAs and enhance banking performance.
24. **Veena, K. P., and Pathi, S. N. (2018),** in their study titled Pre and Post-Merger Analysis of NPAs: A Study with Special Reference to ICICI Bank Ltd., analysed the impact of the merger on ICICI Bank's NPAs and found improvements in asset quality and NPA management after the merger. The study concluded that effective post-merger integration and sound credit risk management contribute to reducing NPAs and enhancing the bank's financial performance.
25. **Mukhopadhyay, A. (2018),** In the examined titled Finding Innovative Solutions to India's NPA Woes, the authors investigated the underlying causes and long-term consequences of non-performing assets in the Indian banking sector while exploring innovative financial strategies and institutional reforms to address the issue. The findings revealed that strengthening loan recovery frameworks, establishing modern development finance institutions, and adopting robust credit risk management practices are crucial for minimising NPAs and promoting the sustainable growth of the banking industry.
26. **Vivek Rajabhat Singh (2017)** has made a paper on "A Study of Non-Performing Holdings of Commercial Banks and their Recovery in India. The study examined the determinants, effects, and recovery measures associated with non-performing assets in Indian commercial banks. The findings indicated that the growing level of NPAs adversely affects the financial stability and lending capacity of banks. The analysis highlighted the importance of recovery mechanisms such as the SARFAESI Act and Debt Recovery Tribunals in resolving non-performing

assets. The research concluded that effective credit management, prudent lending practices, and efficient recovery procedures are essential for controlling NPAs and improving the overall performance of commercial banks

27. **Dudhe, C. (2017)**, in the study titled Impact of NPAs on the Profitability of Banks: A Selective Study, investigated the relationship between non-performing assets and bank profitability. The findings revealed that a continuous increase in NPAs adversely affected banks' earnings and overall financial performance. The research emphasised that robust credit assessment, prompt recovery procedures, and prudent risk management practices are crucial for minimising NPAs and enhancing profitability.
28. **Sengupta (2017),** in the study titled Non-Performing Assets in Indian Commercial Banks, examined the factors responsible for NPAs and their influence on the performance of Indian commercial banks. The analysis indicated that increasing NPAs negatively affected profitability, liquidity, and asset quality. The study highlighted that effective credit evaluation, continuous loan supervision, and timely recovery strategies are vital for controlling NPAs and strengthening banks' financial performance.
29. **Goyal, A. (2017)** in the study titled Indian Banking: Perception and Reality, explored the major challenges confronting the Indian banking industry, with particular attention to the increasing burden of non-performing assets and their effect on banking efficiency. The findings suggested that strengthening corporate governance, adopting sound credit assessment practices, and implementing timely regulatory reforms are indispensable for reducing NPAs and ensuring the long-term stability of the banking sector.
30. **Singh, V. R. (2016)**), in the study titled A Study on NPAs of Commercial Banks and Its Recovery in India, investigated the determinants of NPAs and assessed the effectiveness of recovery mechanisms adopted by commercial banks. The research revealed that prompt loan recovery, rigorous credit evaluation, and efficient legal measures, including the SARFAESI Act and Debt Recovery Tribunals, play a significant role in minimising NPAs and improving banks' financial performance.
31. **Meenakshi Rajeev and H. P. Mahesh (2016)** in their study titled Financial Sector Reforms and NPAs in Indian Commercial Banks, evaluated the impact of non-performing assets on banking performance and financial stability. The findings demonstrated that NPAs adversely influence profitability, liquidity, and operational efficiency. The study further identified inadequate credit appraisal and weak recovery systems as major contributors to bad loans and recommended efficient recovery measures together with continuous loan monitoring to reduce NPAs and enhance the performance of commercial banks.
32. **Thomas and Vyas (2016)** in their study on the Loan Recovery Strategy of Indian Banks, examined various approaches adopted for the recovery of non-performing loans. The researchers recommended both preventive and corrective strategies for effective loan recovery. The analysis further highlighted the importance of legal, regulatory, and non-legal recovery mechanisms in improving the recovery of NPAs and strengthening the banking system.
33. **Shriharsha Reddy (2015)** investigated the influence of ownership structure on the level of non-performing assets in Indian banks. The study revealed that new private sector banks maintained the lowest NPA levels, followed by old private sector banks, while public sector banks recorded the highest levels. The analysis also indicated that priority sector lending had a significant negative association with NPAs, suggesting that the problem of NPAs was more prevalent in non-priority and sensitive sectors such as personal loans and real estate financing.
34. **Ghosh (2014),** in the study titled Asset Quality of Banks: Evidence from India, examined the determinants influencing asset quality in Indian banks. The findings revealed that higher levels of NPAs adversely affected profitability and financial stability. The research concluded that robust credit appraisal, prudent risk management practices, and continuous loan supervision are essential for improving asset quality and reducing non-performing assets.
35. **Ibrahim and Thangavelu (2014),** in their research, evaluated different categories of bank assets to understand the composition of non-performing assets across various banking groups. Their analysis revealed that substandard assets were more prominent in public and foreign banks, whereas doubtful assets were comparatively higher in private sector banks. The study also observed a consistent year-on-year increase in gross NPAs, highlighting the need

for effective asset quality management and timely recovery initiatives.

36. **Gowri, Malepati, and Reddy (2013),** in the study titled Non-Performing Assets in Public Sector Commercial Banks: A Retrospect, investigated the trends and major causes of NPAs in public sector commercial banks. The findings indicated that increasing NPAs adversely influenced banks' profitability and operational efficiency. The researchers emphasised that effective credit assessment, prompt recovery measures, and robust risk management practices are essential for minimising NPAs and improving banking performance.

37. **Rai (2012**), in the study titled Study on Performance of Non-Performing Assets of Indian Commercial Banks, analysed the trend and performance of NPAs in Indian commercial banks. The research demonstrated that rising NPAs negatively affected profitability and operational efficiency. The study recommended strengthening credit appraisal, ensuring timely loan recovery, and adopting sound risk management practices to improve asset quality and overall banking performance.

38. **Prasad and Veena (2011),** in their study titled NPAs in Indian Banking Sector: Trends and Issues, examined the pattern and major concerns associated with NPAs in Indian banks. The analysis revealed that the growing level of NPAs adversely affected profitability and asset quality. The study highlighted that continuous loan monitoring, efficient credit evaluation, and timely recovery mechanisms are crucial for controlling NPAs and enhancing banking performance.

39. **Rajeev and Mahesh (2010),** in the study titled Banking Sector Reforms and NPA: A Study of Indian Commercial Banks, explored the influence of banking sector reforms on the management of non-performing assets. The findings suggested that effective identification, monitoring, and management of NPAs are fundamental to improving bank performance. The researchers further recommended prudent lending practices, self-monitoring systems, and the active involvement of Self-Help Groups (SHGs) as effective measures for reducing NPAs and strengthening the banking sector.

40. **Ramu (2009),** in the study titled Dimensions of Non-Performing Assets in Urban Cooperative Banks in Tamil Nadu, investigated the extent and underlying causes of NPAs in urban cooperative banks. The research identified weak credit appraisal and inefficient recovery practices as major contributors to the growth of NPAs. The study recommended strengthening loan supervision, enhancing recovery mechanisms, and adopting prudent lending policies to improve asset quality and financial performance.

41. **Karunakar, Vasuki, and Saravanan (2008),** in the study titled Are Non-Performing Assets Gloomy or Greedy from Indian Perspective?, examined the major determinants and consequences of NPAs in the Indian banking sector. The findings revealed that poor credit management and ineffective recovery practices were the primary reasons for the increase in NPAs. The researchers emphasised that sound credit appraisal, continuous monitoring, and timely recovery initiatives are vital for improving asset quality and enhancing banking efficiency.

42. **Das and Ghosh (2007),** in the study titled Determinants of Credit Risk in Indian State-Owned Banks: An Empirical Investigation, examined the factors affecting credit risk in Indian state-owned banks. The analysis demonstrated that both bank-specific characteristics and macroeconomic conditions significantly influenced the level of NPAs. The study recommended strengthening credit risk management, adopting prudent lending policies, and implementing effective monitoring systems to reduce credit risk and improve banking performance.

43. **Rajesham and Rajender (2007)**, in the study titled Management of NPAs in Indian Scheduled Commercial Banks, evaluated the management practices adopted by banks to control non-performing assets. The findings indicated that effective credit assessment, continuous supervision of loan accounts, and prompt recovery efforts substantially reduced NPAs. The research highlighted that robust risk management and efficient recovery mechanisms are essential for improving asset quality and enhancing the financial performance of commercial banks.

44. **Satish and Kumar (2006),** in the study titled Management of Non-Performing Assets in Indian Banking, investigated the causes and management of NPAs in Indian banks. The analysis revealed that inadequate credit appraisal and weak recovery systems significantly contributed to the growth of non-performing assets. The study recommended adopting sound credit risk management practices, continuous monitoring of loan portfolios, and timely recovery measures to minimise NPAs and improve banking performance.

45. **Batra (2005),** in the study titled Developing the Asian Markets for Non-Performing Assets: Developments in India, explored the evolution of the NPA resolution market in India and emphasised the importance of legal and institutional reforms in addressing stressed assets. The study highlighted that strengthening Asset Reconstruction Companies (ARCs), improving the regulatory framework, and developing an efficient secondary market for NPAs are essential for effective asset resolution and long-term stability of the banking sector.

46. **Rajendra (2004),** in the study titled NPA Management: Role of Asset Reconstruction Companies, examined the contribution of Asset Reconstruction Companies (ARCs) in resolving non-performing assets within Indian banks. The research demonstrated that ARCs play a crucial role in recovering stressed assets, improving asset quality, and reducing the burden of NPAs through efficient recovery and resolution mechanisms.

47. **Bardia (2004),** in the study titled Credit Efficiency in Banks: A Comparative Study, analysed the credit efficiency of banks and its influence on asset quality. The findings indicated that effective credit appraisal and efficient loan management significantly enhanced asset quality while reducing NPAs. The study emphasised that strong credit risk management and prudent lending practices are fundamental to improving banks' financial performance and maintaining credit quality.

48. **Ranjan and Dhal (2003),** in the study titled Non-Performing Loans and Terms of Credit of Public Sector Banks in India: An Empirical Assessment, investigated the determinants of NPAs in public sector banks. The findings revealed that both macroeconomic conditions and bank-specific factors significantly influenced the level of non-performing loans. The study suggested that prudent credit policies, effective risk management practices, and a stable economic environment are essential for reducing NPAs and strengthening banking performance.

49. **Reddy P K(2002),** in the study titled A Comparative Study of Non-Performing Assets in India in the Global Context, compared the NPA position of Indian banks with international banking systems. The analysis indicated that higher NPAs adversely affected the efficiency and competitiveness of Indian banks. The study recommended strengthening credit appraisal, improving recovery mechanisms, and adopting global best practices to minimise NPAs and enhance banking performance.

50. **Rajaraman and Vasishtha (2002),** in the study titled Non-Performing Loans of PSU Banks: Some Panel Results, analysed the factors influencing NPAs in public sector banks using panel data techniques. The findings demonstrated that weak credit appraisal and operational inefficiencies significantly contributed to the growth of non-performing assets. The researchers emphasised that strengthening lending practices, improving credit monitoring, and enhancing recovery mechanisms are essential for reducing NPAs and improving the overall performance of public sector banks.

Research Gap:

The existing literature has been reviewed and it is found that many studies have been conducted on Non-Performing Assets (NPAs) in Indian Banking Sector. Previous studies have mostly focused on the causes of NPAs, their influence on profitability, liquidity, asset quality and operational efficiency and the efficiency of recovery strategies and regulatory changes. Many researchers also compared the NPA performance of public sector, private sector, foreign and scheduled commercial banks. Moreover, there are many studies which have studied the role of macroeconomic factors, credit risk management practices, governance and legal frameworks like SARFAESI Act, Debt Recovery Tribunals (DRTs), Insolvency and Bankruptcy Code (IBC), Asset Reconstruction Companies (ARCs) and National Asset Reconstruction Company Limited (NARCL) in reducing NPAs and improving the performance of banks. These studies have greatly contributed to our knowledge of the nature and management of NPAs in India.

There are still gaps in the literature, despite the availability of a large amount of research. Most of the prior research have been conducted on the Indian banking sector or on the comparison between public and private sector banks. However, such studies provide a broad overview of the NPA trends but do not provide detailed analysis of the financial performance and asset quality of specific banking institutions. Hence, there is insufficient evidence on the effect of NPA management strategies on the financial performance of a particular bank over a continuous time.

Another important gap identified by the literature is that a large number of studies have mainly focused on identifying the causes and determinants of NPAs, while relatively fewer studies have analysed the relationship between NPAs and important financial performance indicators such as Gross NPA Ratio, Net NPA Ratio, Standard Assets Ratio, Capital Adequacy Ratio (CAR), Return on Assets (ROA), Return on

Equity (ROE), Net Profit Margin (NPM) and provisioning ratios. To understand the overall impact of NPAs on the financial health and operation efficiency of the banks, a comprehensive analysis of these financial indicators is required.

Moreover, many previous studies have also been based on historical data and hence do not reflect the recent changes in the banking sector due to technological advancement, better regulatory supervision, improved credit appraisal systems, digital loan monitoring and better recovery systems. In recent years, the banking industry has transformed itself significantly with the use of digital technologies, data analytics, artificial intelligence and better risk management practices. However, very few studies have been carried out on the effects of these changes on NPA management and quality of assets in the present banking scenario.

The literature also reveals that the analysis of sector-wise composition of NPAs and contribution of various types of advances towards overall asset quality has not been given as much attention. Most studies have examined aggregate NPA levels, without assessing the performance of different lending sectors, or the effectiveness of recovery measures in improving financial performance. This restricts the knowledge of the changing pattern of NPAs and the effectiveness of risk management techniques across different segments of bank lending.

Consequently, there is a requirement for an exhaustive and up-to-date study that investigates the latest trend of Non-Performing Assets, studies their influence on financial performance employing different financial ratios, assesses the efficiency of recovery mechanisms and credit risk management practices and offers practical suggestions for asset quality enhancement. The present study attempts to fill these gaps by providing an elaborate analysis based on latest financial data, thus contributing to the existing knowledge in the area of NPA management and providing useful insights to bankers, researchers, academicians, policy makers and other stakeholders involved in the banking sector.

Findings:

The review found that NPAs in India were mostly due to lending to high-risk sectors such as personal loans, real estate, infrastructure and major corporate advances. Gross and net NPAs were always higher in public sector banks than private sector banks. The studies found that the private sector banks are more efficient in managing NPAs due to improved credit appraisal, risk management and recovery processes. Non-performing assets (NPAs) are detrimental to the profitability, liquidity and financial stability of banks. Thus, increasing NPAs lowers the lending ability of the banks and hampers the overall economic development of the country.

Conclusion:

The evaluation concludes that the Non-Performing Assets (NPAs) remain a key concern for the Indian banking sector. The studies show that the major reasons for NPAs are poor credit appraisal, weak loan monitoring and lending to high-risk sectors. Public sector banks have always had higher NPAs than private sector banks. Rising NPAs have a negative impact on banks' profitability, liquidity and overall financial performance. "To reduce NPAs, effective credit risk management, timely recovery mechanisms, and strong regulatory measures are required. Hence, it is important to improve the quality of assets and lending processes to ensure the long-term stability and sustainable expansion of the Indian banking system.

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