

A Study on the Impact of Non-Performing Assets (NPAs) on the Financial Performance of Public Sector Banks in India

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Abstract: The banking and financial institutions sector is a vital component of the Indian financial system, contributing significantly to economic growth, employment generation, and financial inclusion. Public Sector Banks (PSBs) hold a dominant share in India's banking industry; however, their performance has been adversely affected by the persistent problem of Non-Performing Assets (NPAs). Rising NPAs reduce profitability, weaken capital adequacy, and restrict the lending capacity of banks. This study examines the impact of NPAs on the financial performance of selected public sector banks in India using secondary data collected from RBI reports and annual reports of banks. Financial performance is analyzed using ratios such as Return on Assets (ROA), Net Profit Margin, and Capital Adequacy Ratio (CAR). The study finds a significant negative relationship between NPAs and profitability, highlighting the need for effective credit risk management and recovery mechanisms.

Keywords: financial institutions