MAJOR PROJECT

ON

NPA MANAGEMENT IN HDFC BANK

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DECLARATION

I, Sourav Dasgupta, declare that I prepared this project, "NPA Management in HDFC Bank," under the academic supervision of Dr. Vikas Gupta, Associate Professor. This report is submitted to Delhi Technological University as part of the requirements for the Executive Master of Business Administration. To the best of my knowledge, the work presented here is my own and has not previously been submitted to another university or institution for a degree or diploma.

Place: New Delhi

_____

Date: **Sourav Dasgupta**

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(SOURAV DASGUPTA)

CERTIFICATE

This is to certify that the Major Project entitled 'NPA Management in HDFC Bank' has been successfully completed by Sourav Dasgupta, Roll No. 24/EMBA/32, in partial fulfilment of the requirements for the degree of Master of Business Administration (Executive) at Delhi School of Management, Delhi Technological University, Delhi.

This is further certified that this project report is a record of bonafide research work carried out by the student under my guidance and supervision. The matter embodied in this report has not been submitted previously for the award of any degree or diploma to any university or institution.

The student has demonstrated a thorough understanding of the subject, applied appropriate research methodology, and drawn meaningful conclusions that contribute to the existing body of knowledge on NPA Management in HDFC Bank.

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EXECUTIVE SUMMARY

Project Abstract: NPA Management in HDFC Bank

Changes in the Indian economy, wider competition and the growth of financial services have increased the importance of disciplined lending and risk control. A persistent concern for banks is the management of non-performing assets (NPAs), because overdue loans can weaken earnings, constrain liquidity and place pressure on capital. Under applicable prudential rules, a loan generally becomes an NPA when interest or principal remains overdue for more than 90 days; such assets are subsequently classified according to their degree of impairment.

This project examines how HDFC Bank addresses stressed and non-performing credit exposures and considers the implications for financial performance and operating efficiency. It reviews potential drivers of loan delinquency, the recovery approaches described in the report, and the role of prevention and monitoring. RBI requirements relating to income recognition, asset classification and provisioning provide the regulatory context for this discussion.

The study adopts a descriptive and exploratory approach to examine the available information on HDFC Bank's credit quality and NPA controls. It considers portfolio oversight, recovery constraints and the regulatory environment, including RBI powers under the relevant banking legislation. Any conclusions are limited by the scope and reliability of the information available for analysis.

The report concludes with practical areas for strengthening credit screening, monitoring and recovery. Its central argument is that NPA control requires action throughout the lending cycle—from assessing repayment capacity before disbursement to identifying early stress and selecting proportionate recovery measures. HDFC Bank is used as the case through which these issues are discussed.

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CHAPTER NO: 1

INTRODUCTION OF THE PROJECT

Banking involves exposure to several risks, including credit, market, operational, interest-rate, foreign-exchange and country risks. Credit risk deserves particular attention because lending forms a substantial part of a bank's balance sheet and repayment depends on borrowers' capacity and willingness to pay. Weak appraisal or delayed intervention can allow individual defaults to accumulate into a broader asset-quality problem. A sound credit-risk framework is therefore important for HDFC Bank as well as for the banking industry generally.

For most loan categories, an exposure is treated as non-performing when principal or interest remains unpaid beyond the prescribed 90-day period, subject to the applicable rules for particular account types. Such loans can stop contributing regular interest income and may require provisions, affecting earnings and capital. NPA classification also signals that a bank must assess recovery prospects and take timely steps to limit further loss.

HDFC Bank is a major private-sector lender and the report considers its credit appraisal, monitoring and recovery practices as important components of asset-quality management. Historical ratios can help assess performance, but they should be interpreted alongside portfolio composition, provisioning, recoveries and changes in the wider economy. Sustained performance depends on ongoing review rather than on appraisal controls alone.

Recovery strategy should reflect the borrower's circumstances, the security available and the likely cost and duration of each option. Banks may pursue negotiated repayment, restructure eligible viable accounts, or use formal recovery and insolvency mechanisms where appropriate. Forums such as Debt Recovery Tribunals and Lok Adalats can support resolution, while one-time settlements may be considered under the bank's approved policy and applicable regulation.

The study examines HDFC Bank's approach to managing non-performing assets (NPAs) within the broader framework of India's banking sector.. It considers the causes and consequences of stressed

credit, reviews prevention and recovery approaches, and examines selected indicators used to assess asset quality. The discussion emphasises the connected roles of lending discipline, post-disbursement supervision and recovery planning.

BACKGROUND

NON-PERFORMING ASSETS (NPA)

Meaning of NPA

A NPA is a credit exposure that has crossed the regulatory threshold for overdue payment. It indicates that the borrower has not met the repayment terms and that the bank must reassess the recoverability of the amount due. Since income recognition and provisioning rules apply to these accounts, NPAs can affect both reported earnings and the bank's capacity to redeploy funds.

RBI prudential norms distinguish between sub-standard, doubtful and loss assets, with classification reflecting the duration and severity of impairment. This helps determine the level of provisioning and the appropriate management response. Banks should not wait for an account to become an NPA before engaging with a borrower: early collection efforts and monitoring can begin when warning signs first appear. Persistent NPAs nevertheless tie up management attention and may reduce profitability.

Earlier Norms for NPA Classification

Earlier prudential practice generally used a longer overdue period—often 180 days—for identifying non-performing credit. This meant that recognition of deterioration could occur later, limiting the time available for corrective action. The applicable historical rules varied by period and account type, so the precise classification criteria should be checked against the RBI circulars relevant to the year being discussed.

However, this longer time period delayed the identification of bad loans and affected transparency in the banking system. As a result, banks were not able to take timely action to recover dues.

Present Norms for NPA Classification

As per the general guidelines prescribed by the RBI, a loan account is typically classified as a NPA when the repayment of principal or interest remains overdue for a period exceeding 90 days. The detailed test

depends on the facility and applicable directions. Earlier recognition gives the lender a clearer view of asset quality and creates an opportunity to intensify collection, reassess security and consider suitable resolution measures.

In the case of term loans, if the borrower does not pay interest or principal for 90 days, the loan is treated as an NPA. For overdraft or cash credit accounts, the account is classified as NPA if it remains "OUT OF ORDER" for more than 90 days. Similarly, bills purchased or discounted are considered NPAs if they remain unpaid for more than 90 days.

For agricultural loans, the classification depends on crop seasons. When the repayment remains outstanding for two crop seasons, subject to a maximum period of two and a half years., the loan is treated as an NPA. In all other types of accounts, any amount that remains unpaid for more than 90 days is classified as an NPA. These updated norms have improved transparency, accountability, and efficiency in the banking system.

OUT OF ORDER

An account is considered "OUT OF ORDER" when it shows signs of irregular operation and financial stress. This situation arises when the amount due in an account persistently remains above the credit limit or drawing power authorised by the bank.

Even if the balance is within the limit, the account can still be treated as out of order if there are no regular deposits for a long period, usually six months. Additionally, if the deposits made into the account are not enough to cover the interest charged by the bank, the account is also considered out of order. Such accounts indicate that the borrower is facing financial difficulties and may not be able to repay the loan on time, increasing the risk for the bank.

Overdue

A payment becomes overdue when the borrower has not paid the amount by the contractual due date. The overdue status is an important monitoring signal; if it persists, the account may move through delinquency stages and eventually meet the regulatory criteria for NPA classification.

Overdue payments are an early sign of potential default. If the borrower continues to delay payment and the overdue period crosses 90 days, the account is then classified as an NPA. Therefore, timely repayment is very important to maintain a healthy loan account and avoid being classified as a defaulter.

PROBLEM STATEMENT

Factors for rise in NPAs

The growing volume of non-performing assets (NPAs) has emerged as a major challenge for the Indian banking industry. Public sector banks are generally more affected by this issue than private and foreign banks. The accumulation of NPAs can be attributed to a combination of internal operational weaknesses and external economic factors.

EXTERNAL FACTORS: -

- **Inefficiencies in Loan Recovery Tribunals**: The Government has set up several recovery tribunals to help banks recover loans and advances. However, due to delays and inefficiency in their functioning, banks are not able to recover their dues on time. This results in lower profitability and affects the liquidity of banks.
- **Intentional Non-Repayment of Loans:** There are some borrowers who have the capacity to repay loans but intentionally avoid payment. Such borrowers misuse the banking system. It is important to identify these defaulters and take strict action to recover the money given as loans and advances.
- **Natural Calamities:** Natural disasters such as floods, droughts, and other calamities have a major impact on loan repayment, especially in the agricultural sector. In India, farmers mainly depend on rainfall for crop production. Irregular rainfall reduces production, making it difficult for farmers to repay loans. As a result, banks have to make higher provisions, which reduces their profits.
- **Industrial Sickness:** Industrial sickness occurs due to poor project planning, weak management, lack of funds, outdated technology, and frequent changes in government policies. When industries fail, they are unable to repay loans, leading to low recovery for banks and increasing NPAs.
- **Lack of Demand:** Many entrepreneurs start production without properly analysing market demand. This leads to excess production and unsold goods. As a result, they are

unable to repay loans. Banks try to recover money by selling assets, but often recover only a small portion. The remaining amount becomes NPA and requires provisioning.

- **Changes in Government Policies:** Frequent changes in government policies affect the functioning of banks and borrowers. Banks need to adjust to new rules and regulations, which sometimes impacts loan recovery and increases NPAs.

INTERNAL FACTORS: -

Defective Lending Process

There are three main principles of bank lending which every bank should follow carefully. These principles are:

I. Principle of Financial Security
II. Principle of Fund Availability
III. Principle of Earnings Maximisation

Principle of Financial Security: - This principle emphasises that a bank must ensure the borrower's ability to repay the loan amount along with the applicable interest within the stipulated period. Loan repayment primarily depends on two key aspects:

a. Repayment Capacity
b. Repayment Commitment

Repayment Capacity depends on:

1. Availability of tangible assets
2. Success and stability of the borrower’s business

Repayment Commitment depends on:

1. Character of the borrower
2. Honesty
3. Reputation in the market

Inappropriate Technology

Due to the use of outdated technology and weak management information systems (MIS), banks are not able to take quick and effective decisions. Lack of proper systems leads to poor monitoring and weak recovery of loans, which increases NPAs. All bank branches should be well computerized and updated with modern technology to improve efficiency.

Improper SWOT Analysis

Inadequate evaluation of a borrower's financial position and associated risks can contribute to the rise in non-performing assets (NPAs). While sanctioning credit, particularly unsecured loans, banks may sometimes place excessive reliance on the borrower's credibility and reputation instead of conducting a thorough assessment.

Banks should carefully assess the borrower's own financial contribution to the proposed investment.

Before approving loans, banks should obtain and verify the borrower's credit history and financial information from reliable sources, such as:

  - Other banks
  - Market and industry sources
  - External credit rating agencies

- Banks should analyse financial statements like profit and loss account and balance sheet to understand the true financial position of the borrower.
- **Purpose of the loan** should also be carefully examined. Loans should be given only for productive and profitable purposes after checking the feasibility and long-term viability of the project.

nadequate Assessment of Borrowers' Creditworthiness

A weak credit appraisal system is a major reason for rising NPAs. When banks fail to properly evaluate the borrower's repayment capacity, loans are given to unsuitable borrowers. This increases the chances of default. Therefore, banks must follow a strong and detailed credit appraisal process.

Banks should adopt a diversified lending strategy by distributing credit across different borrowers, industries, and geographical regions rather than concentrating loans in a single segment. Such an approach helps minimise credit risk and ensures that financial difficulties in one particular sector do not significantly undermine the bank's overall financial stability.

Absence of Regular Industrial Visits

Lack of regular visits by bank officials to the borrower's business place increases NPAs. Regular monitoring helps banks understand the actual condition of the borrower's business and ensures timely repayment. It also helps in identifying wilful defaulters at an early stage.

Re-loaning Process

Re-loaning to existing defaulters without proper recovery of previous loans disturbs the credit cycle. When banks continue to provide loans to defaulters, it increases the risk of non-recovery. This practice leads to a continuous rise in NPAs and affects the financial health of the bank.

OBJECTIVES OF THE STUDY

NPA MANAGEMENT IN BANKING SECTOR

Non-Performing Assets have become one of the most critical challenges faced by the banking sector in India. Effective NPA management is essential not only for maintaining profitability but also for ensuring the stability and growth of financial institutions like HDFC Bank. To understand NPA management clearly, it is important to begin with the basic concept and then move towards the practical challenges and strategies used by banks.

The Concept of Stagnant Money

A Non-Performing Asset (NPA) refers to a loan or credit facility that no longer provides regular income to the bank because the borrower has failed to meet repayment obligations. Under the general RBI guidelines, a loan is ordinarily classified as an NPA when the principal or interest remains overdue for more than 90 days.. At this stage, the asset becomes "non-performing" because it no longer contributes to the bank's earnings.

To understand this concept better, we can compare a bank to a shopkeeper. When a shopkeeper sells goods on credit and the customer does not repay the money for a long time, the shopkeeper faces difficulty in purchasing new stock. Similarly, when banks lend money and borrowers fail to repay, the funds become "stuck" or "blocked." This blocked money is referred to as NPA.

The impact of NPAs on banks is very serious. High levels of NPAs reduce the bank's profitability because interest income is not received. It also weakens the financial position of the bank and lowers its market value. Most importantly, it restricts the bank's ability to provide fresh loans to new and deserving customers. Therefore, managing NPAs effectively is very important for banks like HDFC Bank to maintain their strong financial performance.

Key Challenges in NPA Management

Managing Non-Performing Assets is a complex and difficult task for banks. The following are the major challenges faced by banks in controlling and reducing NPAs:

1. Economic Cycles

- Economic slowdown or recession affects the repayment capacity of borrowers.
- Even financially strong businesses may face losses due to reduced demand.
- For example, factories may experience lower production and small businesses may lose customers.
- This leads to systemic risk, where many borrowers default at the same time due to external economic conditions.

2. Information Asymmetry

- Borrowers often do not provide complete or accurate financial information.
- Some may hide their actual financial condition or divert loan funds for other purposes.
- This makes it difficult for banks to properly assess creditworthiness.
- It also delays the identification of early warning signs of default.

3. Legal Delays

- Recovery through legal channels such as Debt Recovery Tribunals and Insolvency and Bankruptcy Code takes a long time.
- Legal proceedings may continue for several years before resolution.

- During this period, the value of collateral may decline.
- This reduces the actual recovery amount for banks.

4. Wilful Defaulters

- These are borrowers who have the ability to repay but intentionally avoid repayment.
- They misuse funds or delay payments deliberately.
- Dealing with such defaulters requires strict legal action and continuous monitoring.
- It also increases the burden on the banking system.

5. Weak Credit Appraisal

- Inadequate evaluation of borrower's financial position at the time of loan sanction.
- Poor risk assessment leads to lending to high-risk customers.
- This increases the chances of loans turning into NPAs.

6. Lack of Proper Monitoring

- Banks sometimes fail to regularly track the performance of borrowers after loan disbursement.
- Delay in identifying stressed accounts results in higher defaults.
- Early warning signals are often ignored or detected too late.

7. Ineffective Recovery Mechanisms

- Recovery processes may be slow, costly, and inefficient.
- Lack of strong follow-up and coordination reduces recovery success.
- Dependence on lengthy legal procedures further delays recovery.

Strategies for Effective NPA Management

A. Pre-Slippage

- **Strong Credit Appraisal System**: The most effective way to manage NPAs is to prevent them from occurring in the first place. This begins with a strong credit appraisal process, where banks carefully evaluate the financial position, repayment capacity, and credibility

of borrowers before granting loans. Modern banks use tools such as credit scoring models, data analytics, and artificial intelligence to make accurate lending decisions. By approving loans only for financially sound customers, banks can significantly reduce the risk of default.

- **Use of Advanced Technology and Data Analysis**: Banks increasingly rely on technology-driven systems to analyse customer behaviour, income patterns, and past repayment records. These tools help in identifying risky borrowers early and ensure better decision-making. Advanced analytics also improve the speed and accuracy of credit evaluation.
- **Identification of Early Warning Signals**: Another important preventive measure is the continuous monitoring of loan accounts to detect early signs of stress. Warning signals such as delayed payments, reduced account activity, or declining business performance are closely tracked. Accounts showing such signs are categorized as Special Mention Accounts, where payment delays range from 1 to 90 days. Timely intervention at this stage helps banks prevent these accounts from slipping into NPAs.
- **Regular Monitoring and Follow-ups**: Banks maintain continuous communication with borrowers and regularly review loan accounts. Periodic inspections, financial statement analysis, and follow-ups ensure that any potential issues are identified and addressed at an early stage.

B. Post-slippage

- **Loan Restructuring**: Once a loan becomes an NPA, banks focus on recovery while also supporting genuine borrowers. Loan restructuring is a remedial measure through which banks revise the original repayment conditions to ease the borrower's financial burden. Such changes may involve lengthening the loan tenure, lowering the applicable interest rate, or allowing a temporary suspension of repayment obligations. Such measures help financially stressed borrowers recover and improve their repayment ability.
- **One-Time Settlement Scheme**: Under the OTS scheme, banks allow borrowers to settle their outstanding dues by paying a reduced amount as a full and final settlement. Although banks may incur a partial loss, this approach helps in quick recovery of funds and avoids lengthy legal procedures.

- **Recovery Through Negotiation and Counselling**: Banks often engage with borrowers through discussions and financial counselling to encourage repayment. This approach is particularly useful in cases where borrowers are willing to repay but are facing temporary financial difficulties.

C. Legal and Aggressive Recovery Measures

- **Asset Reconstruction Companies**: Banks may sell their bad loans to Asset Reconstruction Companies at a discounted value. These companies specialize in recovering stressed assets.
- **Insolvency and Bankruptcy Code**: The IBC framework provides a structured and time-bound process for resolving insolvency cases. Banks can initiate proceedings against defaulting borrowers, leading to the takeover and sale of assets to recover dues. This has significantly improved the efficiency and speed of loan recovery in India.
- **Use of SARFAESI Act**: Under the SARFAESI Act, banks can seize and sell the secured assets of defaulting borrowers without requiring court intervention. This empowers banks to take swift action for recovery.
- **Debt Recovery Tribunals and Lok Adalats**: Banks also use DRTs and Lok Adalats as legal platforms to recover dues. These mechanisms provide a faster and more cost-effective alternative to traditional court proceedings, helping in quicker resolution of disputes.

The Object of the study can clearly be framed as under:

1) To understand the financial condition of HDFC Bank
2) To assess the level of NPAs
3) To analyse the impact of NPAs on bank performance
4) To examine the key factors contributing to the occurrence of NPAs in the banking industry.
5) To evaluate the effectiveness of NPA management strategies adopted by HDFC Bank
6) To study recovery mechanisms and procedures
7) To examine credit risk management practices of the bank
8) To analyse key financial ratios related to NPA management
9) To study the role of RBI guidelines and regulatory framework in NPA management

10) To suggest measures for improving NPA management

SCOPE OF THE STUDY

This study examines the meaning and treatment of NPAs, the factors that contribute to credit stress, and the measures banks use to prevent or resolve delinquency. HDFC Bank provides the case-study focus, while the discussion also draws on the broader Indian banking and regulatory context.

The main areas covered in this study are:

- Concept of NPAs
- Regulatory Framework related to NPAs
- Effect of NPAs on banks
- Factors for the rise in NPAs
- Strategies for Preventing and Reducing NPAs
- Tools and techniques used to manage NPAs

This study mainly concentrates on analysing how NPAs affect the overall performance of banks and what steps can be taken to reduce them.

CHAPTER NO: 2

INDUSTRY AND COMPANY PROFILE

Indian FinTech Industry Overview

The Indian FinTech industry is growing very fast. The Indian FinTech industry is currently estimated to be worth approximately US$111 billion, with projections indicating that its value could increase to US$421 billion by 2029. India ranks among the world's leading FinTech markets, holding the third position globally, reflecting the rapid expansion and continuous technological advancement of its financial services sector.

With the increase in digital transactions, the need for data protection and security has also become very important. In this area, traditional banks have an advantage because people trust them more. Many fintech platforms and super apps are also working with banks to get licenses and follow regulatory rules.

Innovation in Financial Services

Technology has brought major improvements in banking services. It has increased efficiency, productivity, and accessibility, especially in digital lending.

A good example is the digitalization of agricultural finance, introduced by the Reserve Bank of India and RBI Innovation Hub. This allows farmers to get Kisan Credit Card loans easily through digital platforms, making the process faster and hassle-free.

In the Union Budget 2025, the government also announced simplification of the KYC process and plans to launch a new Central KYC Registry, which will make customer verification easier and quicker.

Strong Business Growth

The Indian banking sector is growing steadily due to factors like economic growth, higher income levels, increased spending, and easy availability of credit.

Digital payments have increased rapidly in recent years. For example, in one month alone (October), UPI total transaction value reached ₹27.28 lakh crore, covering approximately 20.7 billion transactions, showing how widely digital payments are used across the country.

Policy Support and RBI Initiatives

The RBI is actively supporting the growth of the banking and fintech sector. It has started a pilot project for digital KCC lending, which will improve efficiency, reduce costs, and speed up loan processing, especially in rural areas.

In June 2025, RBI also reduced the repo rate to 5.5% and cut the CRR by 25 basis points. These steps help increase liquidity in the market and encourage banks to give more loans, which supports overall economic growth.

OVERVIEW



India's banking sector plays a very important role in the country's economic growth. It helps in mobilizing savings, providing loans, and improving financial inclusion across all sections of society. Over the years, the sector has faced many challenges such as changes in regulations, increasing operating expenses and intensifying competition from financial technology companies. However, at the same time, it is also growing rapidly due to digital innovation, government reforms, and changing customer needs. Developments like UPI expansion, fintech growth, and schemes such as Pradhan Mantri Jan Dhan Yojana have made banking services more accessible and efficient, creating a strong and modern financial system.

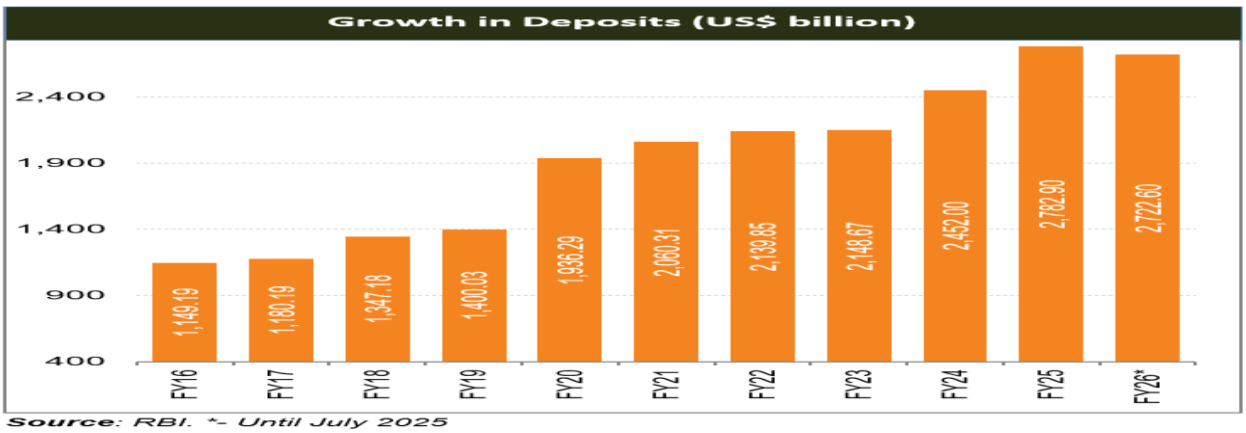
The RBI indicates that India's banking industry maintains adequate capital reserves and operates within a well-established regulatory framework. Indian banks have shown strong performance even during global economic challenges. They have remained stable due to better risk management practices and strict regulatory control. Studies related to credit risk, market risk, and liquidity risk also show that Indian banks are generally strong and capable of handling financial stress.

In recent years, new banking models such as payments banks and small finance banks have been introduced to increase financial inclusion. The government has also taken several initiatives to expand banking services, especially in rural and semi-urban areas. Schemes like Jan Dhan Yojana and digital banking services have helped more people connect with the formal banking system. The growth of NBFCs, fintech companies, and digital platforms has further supported credit expansion in the economy.

The Indian fintech industry is growing very fast and is expected to reach around ₹12,99,450 crore (US$ 150 billion) by 2025. Digital payment systems in India have also developed rapidly. Services like IMPS and UPI have made real-time payments easy, fast, and widely accessible. UPI, in particular, has transformed the way people make payments and is also expanding its reach globally.

Banks are also adopting new technologies such as artificial intelligence and digital platforms to improve customer service. Features like AI-based chatbots, two-factor authentication, and biometric verification are making banking more secure and user-friendly. Overall, the Indian banking sector is moving towards a more digital, secure, and inclusive future, supported by technology, strong policies, and increasing customer awareness.

MARKET SIZE



*Source: RBI. *- Until July 2025*

India’s banking sector is large and well-developed, with a wide range of institutions. The Indian banking system comprises 12 public sector banks, 21 private sector banks, and 11 small finance banks. The country also has approximately 44 foreign banks and 5 payments banks providing financial services. This strong network helps in providing banking services across urban as well as rural areas.

The banking infrastructure has also improved significantly in recent years. The number of micro-ATMs has increased to around 1.46 million by 2024, showing strong growth and helping in financial inclusion, especially in remote areas. At the same time, traditional ATMs have slightly reduced to around 2.55 lakh machines, while the National Financial Switch (NFS) network connects more than 2.55 lakh ATMs across the country.

In terms of financial size, the banking sector is very strong. By 2025, the aggregate assets held by public sector banks in India amounted to approximately ₹1,71,41,777 crore., while private sector banks recorded ₹1,15,82,467 crore. Public sector banks also earned interest income of ₹11,89,229 crore, showing steady growth.

The housing finance market in India is also expanding rapidly. Currently valued at around ₹33,00,000 crore, it is expected to grow at a strong rate of 15–16% annually, reaching up to ₹77–81 lakh crore by 2029–30. This growth is supported by government policies and increasing demand for housing loans.

Digital payments have seen massive growth in India. In October 2025 alone, UPI transactions reached ₹27.28 lakh crore with 20.7 billion transactions, showing widespread usage. UPI now accounts for about 85% of digital payments in India and contributes significantly to global real-time transactions.

Other key indicators also show strong performance. NRI deposits stood at around ₹14.6 lakh crore in 2025, reflecting trust from overseas Indians. Bank deposits grew by 9.75% year-on-year to ₹2,46,77,712 crore, while bank credit increased by 11.19% to ₹1,98,72,897 crore, indicating strong lending activity and economic growth.

INVESTMENTS AND DEVELOPMENTS

The Indian banking and financial sector have seen strong growth through various investments and developments in recent years.

In Q3 2025, the BFSI sector ranked second in Private Equity and Venture Capital investments, attracting around ₹11,273 crore, which shows strong investor confidence in the sector. Digital payment systems have also grown significantly. In the first half of 2025, IMPS handled 267.17 million transactions worth ₹37.1 lakh crore, while RTGS processed transactions worth ₹1,079.23 lakh crore, reflecting the high volume of financial activity.

India's digital payment system is also expanding globally. Indian tourists can now use UPI in countries like the UAE, at places such as Dubai Duty Free and Lulu Hypermarket. This expansion supports the global acceptance of India's digital payment system. Additionally, partnerships like the one between Google India and NPCI International aim to expand UPI to more countries.

The sector has also seen major investments and mergers. For example, Sumitomo Mitsui Banking Corporation (SMBC) invested in Yes Bank by acquiring a 20% ownership interest, marking a significant foreign investment in India's banking industry. Similarly, several mergers and acquisitions, including the merger of HDFC Limited with HDFC Bank, have strengthened the banking sector.

The government and RBI have also introduced initiatives to promote financial inclusion. Programs like Digital Assam 2025 aim to increase mobile banking in rural areas by providing smartphones and internet access.

GOVERNMENT INITIATIVES

he Government of India has introduced various policy initiatives and reforms aimed at improving the stability, efficiency, and overall performance of the banking industry. and improve financial inclusion across the country.

- The government plans to expand Digital Banking Units to around 200 by FY26, which will help provide more banking services like insurance and pension schemes, especially in rural and remote areas.
- In the Union Budget 2024–25, it was announced that a plan has been proposed to establish 100 additional India Post Payments Bank branches across the North-Eastern region to expand access to banking facilities..

- Under the Pradhan Mantri Jan Dhan Yojana, more than 52 crore people have been connected to banking services, with deposits exceeding ₹2.28 lakh crore, showing strong progress in financial inclusion.
- The government has also introduced Baanknet, a digital e-auction platform, to improve recovery of bad loans, increase transparency, and support better credit flow in public sector banks.
- Digital banking is also being promoted through initiatives like WhatsApp banking services by IPPB and the launch of 75 Digital Banking Units across India.
- To manage bad loans, the government has set up the National Asset Reconstruction Company Ltd. (NARCL), which will take over stressed assets from banks and help in recovery.
- The NPCI has introduced UPI Lite, which allows small-value offline payments, making digital payments easier even without internet access.
- Efforts are also being made to digitalize Kisan Credit Card loans, which will facilitate quicker and more convenient access to credit facilities for farmers
- Around 1.5 lakh post offices are being connected with digital banking systems to improve financial services in rural areas.
- The rise of neo-banking platforms and increasing global investments in fintech are also supported by government policies, helping in innovation and better service delivery.

FUTURE OF THE INDIAN BANKING SECTOR

The future of the Indian banking sector looks very positive. Increased investment in infrastructure, faster implementation of projects, and continuous reforms are expected to support strong growth. As businesses grow, the demand for loans and financial services will also increase.

Technology is playing a key role in this transformation. Services like mobile banking and internet banking are becoming more common. Advanced technologies such as Artificial Intelligence, automation, and blockchain are helping banks improve efficiency and security.

Banks are now focusing more on providing better customer service and upgrading their digital systems. This will not only improve customer experience but also help banks stay competitive in

the market. Overall, the Indian banking sector is moving towards a more digital, efficient, and customer-friendly future.

COMPANY OVERVIEW (PROFILE OF HDFC BANK)

HDFC Bank is a prominent private-sector banking institution in India that caters to the financial needs of individual customers, corporate clients, and other organisations. Since its establishment in 1994, the bank has expanded considerably and established a strong presence in the Indian financial market. Its operations cover several areas, including personal banking, corporate and wholesale banking, treasury management, and other financial services, enabling it to serve a diverse customer base.

HDFC Bank was founded by **Housing Development Finance Corporation Ltd.** (HDFC Ltd.), a leading housing finance company in India. This affiliation played a key role in HDFC Bank's initial growth as it brought in expertise in financial services and a well-established brand reputation in the Indian market. The bank's commitment to customer satisfaction and its focus on technological advancement. and commitment to maintaining high standards of corporate governance have helped it achieve a competitive edge over other financial institution.

As of today, HDFC Bank has become synonymous with reliability, innovation, and customer-centric banking. Its headquarters is located in Mumbai, Maharashtra**,** and it operates over 6,000 branches and 18,000+ ATMs across the country.

HDFC Bank Management Structure

The management structure at HDFC Bank is designed to ensure effective leadership and strategic decision-making to achieve the bank's goals. It comprises of a Board of Directors, Senior Management, and various departments responsible for the smooth functioning of the bank's operations.

Board of Directors

The Board of Directors at HDFC Bank consists of highly experienced professionals with diverse backgrounds in banking, finance, technology, and economics. The board is responsible for making key strategic decisions, overseeing the bank's operations, and ensuring that the bank follows all regulatory and corporate governance guidelines. Some of the key positions within the board include:

- **Chairman**: The Chairman is instrumental in shaping the bank's strategic direction and ensuring effective corporate governance. Historically, the position has been held by renowned figures like **Mr. Deepak Parekh** (Chairman of HDFC Ltd.) who has a long history of leadership in the banking sector.
- **Managing Director and CEO**: The CEO of HDFC Bank is responsible for overseeing day-to-day operations and ensuring that the bank adheres to its mission and vision. The CEO is accountable to the Board of Directors for the bank's performance.
- **Independent Directors**: The Board of Directors includes independent members with deep expertise in finance, law, technology, and economics. These members contribute to the decision-making process and ensure that the interests of shareholders and stakeholders are safeguarded.
- **Executive Directors**: These are senior bank executives responsible for various banking operations, including retail banking, wholesale banking, HR, and treasury functions.

Senior Management Team

The senior management team at HDFC Bank consists of the heads of various business units such as retail banking, corporate banking, risk management, technology, and finance. The team is responsible for implementing strategies at the operational level, managing the bank's resources, and ensuring growth in line with corporate goals.

- **Chief Risk Officer**: Manages risk-related matters to ensure financial stability and compliance with regulations.

- **Chief Financial Officer**: Responsible for financial planning, management, and reporting.
- **Chief Information Officer**: Oversees technological advancements and digital initiatives, ensuring the bank's tech infrastructure is robust and secure.

HDFC Bank's management structure is built to facilitate agility and responsiveness to the ever-changing banking environment. This enables the bank to adapt to market demands, enhance customer service, and improve financial performance.

HDFC Bank Products and Services

HDFC Bank provides a broad portfolio of financial solutions designed to address the varied requirements of individuals, commercial enterprises, and institutional clients. Its major business segments include **Personal Banking, Corporate and Wholesale Banking, Treasury Operations, and Other Financial Services.** Below is a detailed overview of each.

1. Retail Banking Products

Retail banking services are tailored to address the financial requirements of individual customers and families. These products and services focus on personal finance, savings, and investment. HDFC Bank's retail offerings include:

- **Savings Accounts**:

  HDFC Bank provides a range of savings account options to suit the diverse financial needs and preferences of its customers. These accounts come with attractive interest rates and features such as debit cards, online banking, and mobile banking. Popular types include:

  - Regular Savings Account
  - Premium Savings Account
  - Senior Citizens Savings Account
  - Women's Savings Account

- **Current Accounts**:

  Current accounts are primarily designed for business owners and professionals who need easy access to funds for business operations. HDFC Bank provides several types of current accounts with customized features to suit the needs of corporate customers.

- **Fixed Deposits (FD)**:

  HDFC Bank offers fixed deposits with attractive interest rates for individuals and businesses. Depositors have the flexibility to select a deposit period ranging from as short as seven days to as long as ten years.. The bank also offers flexible FD options such as Tax Saving FDs and Recurring Deposits**.**

- **Loans**:
  - **Home Loans**: HDFC Bank provides home loans for purchasing, constructing, or renovating homes. With attractive interest rates, easy EMI options, and quick processing, these loans cater to first-time homebuyers as well as existing homeowners looking to expand or renovate.
  - **Personal Loans**: These are unsecured loans that customers can use for any personal requirement such as medical expenses, vacations, or debt consolidation.
  - **Auto Loans**: Designed to help customers buy cars and other vehicles, these credit facilities provide borrowers with adaptable repayment schedules and comparatively affordable interest rates.
  - **Education Loans**: HDFC Bank provides education loans to students seeking higher education in India or abroad, with features such as lower interest rates and tax benefits.
- **Credit Cards**:

  HDFC Bank offers a wide variety of credit cards, each catering to specific needs, from shopping and travel to premium services. Some of the popular credit card options include:

- HDFC Regalia Credit Card
- HDFC Diners Club Credit Card
- HDFC Moneyback Credit Card

- **Insurance Products**:

  The bank distributes life, medical, and other general insurance policies through partnerships with multiple insurance providers.. HDFC Life, one of the leading life insurance providers in India, is part of the HDFC Group, and customers can easily purchase life insurance policies through the bank's platform.

- **Investment Products**:
  - **Mutual Funds**: HDFC Bank offers a wide range of mutual fund investment options for its customers, including equity, debt, and hybrid funds. The bank provides access to top-performing mutual funds via its investment platform.
  - **Bonds**: The bank offers government and corporate bond investments with competitive interest rates and safety.

2. Wholesale Banking Products

Wholesale banking products are aimed at businesses, institutions, and corporations, helping them manage finances and fund operations. These include:

- **Corporate Loans**: The bank facilitates access to life, health, and general insurance coverage by collaborating with a range of insurance firms. The bank tailors financial solutions based on the business's requirements, size, and industry.
- **Cash Management Services**: For businesses, HDFC Bank provides a suite of cash management solutions, including fund transfer services, collection and payment solutions, and liquidity management tools. These services ensure that businesses can effectively manage their cash flows.
- **Trade Finance**: HDFC Bank supports businesses engaged in international trade by offering a range of trade-related financial services, such as export and import funding, letters of credit, and the processing of documentary collections.

- **Business Banking Services**: These include customized financial facilities that include commercial lending, credit cards for business use, and specialised banking services for enterprises that cater specifically to SMEs (Small and Medium Enterprises).
- **Corporate Internet Banking**: HDFC Bank provides businesses with an easy-to-use internet banking platform that offers secure transaction processing, fund transfers, and account management.

3. Treasury Products

HDFC Bank also offers treasury-related products designed to manage risk and optimize returns in the financial markets. These include:

- **Foreign Exchange Services**: The bank offers various foreign exchange facilities, such as currency conversion, prepaid forex cards, and international money transfers, catering to the needs of individuals and businesses engaged in cross-border transactions.
- **Derivatives & Hedging Products**: HDFC Bank offers businesses products to hedge against interest rate risks, currency fluctuations, and commodity price movements.
- **Money Market Instruments**: The bank helps institutional clients invest in short-duration financial instruments, including deposit certificates and commercial paper issued to raise funds, and repos.

CHAPTER NO: 3

REVIEW OF LITERATURE

- **Agarwal & Sharma (2023):**

This section of the book explains how risk management is very important for controlling Non-Performing Assets in banks. The authors highlight that banks face various categories of financial and business risks, including borrower default risk, market fluctuations, and operational failures, but credit risk is the main reason behind NPAs. They explain that proper checking of borrowers before giving loans can reduce future defaults. The book also discusses how banks should continuously monitor loan accounts and identify early warning signs like delayed payments or financial stress. It further explains the role of modern tools like data analysis and credit scoring in improving decision-making. The authors also mention that weak risk management systems and poor monitoring lead to higher NPAs. Overall, the book suggests that strong policies, better technology, and regular follow-ups with borrowers can help banks reduce bad loans and improve their financial stability.

- **Bansal (2024):**

In this part of the book, the author explains how NPAs affect the financial performance of banks. NPAs reduce the income of banks because interest is not received on such loans, which directly impacts profitability. The book highlights that higher NPAs also increase the burden on banks as they need to make provisions for these bad loans. This reduces the funds available for lending and affects the growth of banks. The author also explains that proper financial management, including careful loan planning and monitoring, is necessary to control NPAs. It emphasizes the importance of maintaining a balance between risk and return while giving loans. The book also talks about how better financial planning and strict policies can help banks maintain good asset quality. Overall, it shows that managing NPAs is very important for the long-term success and stability of the banking sector.

- **Choudhary (2023):**

This section of the book focuses on the causes of NPAs and the methods used by banks to recover bad loans. The authors explain that NPAs arise due to factors like poor credit appraisal, economic slowdown, business failure, and wilful default by borrowers. They also highlight that lack of proper monitoring after giving loans increases the chances of default. The book discusses different recovery strategies such as loan restructuring, one-time settlement, and legal actions under SARFAESI and Insolvency and Bankruptcy Code. It explains that early action is very important to prevent loans from becoming NPAs. The authors also mention the role of Asset Reconstruction Companies in handling bad loans. Overall, the book suggests that a combination of preventive and corrective measures is necessary to control NPAs and improve recovery in the banking system.

- **Gupta (2025):**

This section of the book explains how modern banking practices are helping in better management of Non-Performing Assets. The author highlights that banks are now using advanced tools like data analytics, artificial intelligence, and digital monitoring systems to reduce risks. These technologies help banks in checking the creditworthiness of borrowers before giving loans and also in tracking their repayment behaviour regularly. The book also explains that strong internal policies, proper loan documentation, and regular follow-ups play an important role in controlling NPAs. It further discusses that early identification of problem accounts and timely action can prevent loans from turning into NPAs. The author emphasizes that modern banking is not only about giving loans but also about managing them effectively. Overall, the book shows that with the help of technology and improved systems, banks can reduce NPAs and improve their financial performance.

- **Iyer & Nair (2024):**

In this part of the book, the authors discuss the current trends and challenges faced by the Indian banking system, especially related to NPAs. They explain that NPAs have been a major issue in the past due to economic slowdown, poor lending decisions, and weak monitoring systems.

However, in recent years, several reforms have been introduced to improve the situation. The book highlights the role of the Insolvency and Bankruptcy Code, stricter RBI guidelines, and better risk management practices in reducing NPAs. It also explains how banks are becoming more cautious while giving loans and focusing on quality rather than quantity. The authors mention that although the NPA situation has improved, continuous monitoring and strong policies are still required. Overall, the book provides a clear understanding of how the banking sector is evolving and dealing with the challenge of NPAs.

- **Jain (2023):**

This section of the book provides a detailed explanation of the role of NPAs in the Indian banking system. The author explains that NPAs are one of the biggest challenges for banks as they affect profitability, liquidity, and overall financial stability. The book discusses how banks classify NPAs into different categories like asset categories such as substandard accounts, doubtful advances, and identified loss assets, classified in accordance with the Reserve Bank of India's prescribed norms.. It also explains the importance of proper credit appraisal and monitoring to avoid bad loans. The author highlights that both internal factors and external contribute to the rise of NPAs. The book also explains the role of financial institutions and regulatory bodies in controlling NPAs. Overall, it gives a strong theoretical understanding of NPAs and their impact on the banking sector.

- **Kulkarni (2025):**

This part of the book focuses on credit risk and how it directly affects the asset quality of banks. The author explains that poor credit risk management is one of the main reasons for the rise in NPAs. Before giving loans, banks must carefully evaluate the borrower's financial position, repayment capacity, and business stability. The book also highlights the importance of continuous monitoring of loan accounts even after disbursement. It explains that early warning signals such as delayed payments or declining business performance should be identified quickly to avoid defaults. The author also discusses various tools and techniques used by banks to manage credit risk, such as credit scoring models and risk assessment frameworks. Overall, the book emphasizes that maintaining good asset quality is essential for the success of banks, and this can be achieved through strong credit risk management practices.

- **Mishra & Singh (2024):**

This section of the book clearly explains the main causes, effects, and solutions related to Non-Performing Assets (NPAs). The authors highlight that NPAs arise due to both internal and external factors such as poor credit appraisal, economic slowdown, business failures, and willful default by borrowers. They explain that when loans are not recovered on time, it directly affects the profitability and financial strength of banks. The book also discusses how increasing NPAs reduce the confidence of investors and impact the overall economy. To control this problem, the authors suggest strong monitoring systems, better credit evaluation, and early identification of problem accounts. They also explain the importance of legal frameworks like SARFAESI Act and Insolvency and Bankruptcy Code in improving recovery. Overall, the book gives a clear understanding of why NPAs occur and how banks can manage and reduce them effectively.

- **Patel (2026):**

In this part of the book, the author discusses the major current issues faced by the Indian banking sector, with a strong focus on NPAs. The book explains that although NPAs have reduced in recent years due to strict regulations and reforms, they still remain a major concern for banks. The author highlights those global economic conditions, changing customer behaviour, and increased competition have made banking more complex. The role of digital banking, fintech, and improved risk management systems is also discussed as important tools to control NPAs. The book explains that banks are now focusing more on quality lending and better monitoring systems. It also mentions that government initiatives and RBI policies have helped in improving asset quality. Overall, the book provides a modern view of banking challenges and shows how NPAs are being managed in the current environment.

- **Verma & Kapoor (2023):**

This section of the book focuses on various reforms introduced in the Indian banking sector to control NPAs. The authors explain that earlier, lack of strict rules and weak recovery systems led to a rise in bad loans. To improve this situation, several reforms have been introduced by the government and RBI. The book highlights the role of the Insolvency and Bankruptcy Code, Asset Reconstruction Companies, and stricter credit monitoring systems in reducing NPAs. It also explains that banks are now more careful while giving loans and are focusing on proper risk

assessment. The authors emphasize that reforms have improved transparency, accountability, and efficiency in the banking system. Overall, the book shows that continuous reforms and strong policies are necessary to control NPAs and strengthen the banking sector.

- **Arora & Kaur (2023):**

This section of the book explains the importance of proper credit management in controlling NPAs. The authors highlight that giving loans is not enough; managing and monitoring them is equally important. They explain that banks should carefully check the applicant's financial stability, ability to meet repayment obligations, and intended use of the borrowed funds prior to sanctioning the loan. The book also discusses the importance of regular follow-ups and monitoring after the loan is given. It explains that early warning signals like delayed payments should be identified quickly to prevent loans from turning into NPAs. The authors also suggest that strong internal policies, proper documentation, and use of modern technology can help in reducing bad loans. Overall, the book emphasizes that effective credit management is the key to maintaining good asset quality and reducing NPAs in banks.

- **Mishra & Singh (2024):**

This part of the book explains in a very clear way why Non-Performing Assets occur and how they affect banks and the economy. The authors mention that NPAs mainly arise due to poor credit decisions, lack of proper monitoring, economic slowdown, and wilful default by borrowers. When loans are not repaid on time, banks lose income and their financial position becomes weak. The book also explains that high NPAs reduce trust in the banking system and slow down economic growth. To solve this problem, the authors suggest better credit appraisal, regular follow-up with borrowers, and early identification of risky accounts. They also explain the role of legal measures like SARFAESI Act and Insolvency and Bankruptcy Code (IBC) in improving loan recovery. Overall, this section gives a complete understanding of the causes, effects, and solutions of NPAs in a very simple and practical way.

- **Patel (2026):**

In this section, the author talks about the current challenges faced by the Indian banking sector, especially related to NPAs. The book explains that although banks have improved their systems and reduced NPAs in recent years, the problem still exists. Factors like global economic changes, business failures, and increased competition continue to affect loan repayment. The author also highlights the growing role of digital banking, fintech, and advanced technology in managing risks. Banks are now using better tools to check borrower profiles and monitor loans regularly. The book explains that government policies and RBI guidelines have also helped in improving the situation. However, continuous efforts are needed to maintain good asset quality. Overall, this section gives a modern view of banking challenges and explains how banks are trying to control NPAs in today's changing environment.

- **Verma & Kapoor (2023):**

This part of the book focuses on the important reforms introduced in the Indian banking system to control NPAs. The authors explain that in earlier times, weak rules and poor recovery systems led to an increase in bad loans. To improve this, the Government of India and the Reserve Bank of India implemented a range of policy measures, including the enactment of the Insolvency and Bankruptcy Code (IBC), to strengthen the resolution of stressed loans and improve the recovery process, Asset Reconstruction Companies, and stricter monitoring systems. These reforms have helped banks recover loans faster and improve transparency. The book also explains that banks have now become more careful while giving loans and are focusing more on risk assessment. It highlights that proper implementation of these reforms is very important for long-term success. Overall, this section shows how continuous improvements in policies and systems have helped in reducing NPAs and strengthening the banking sector.

- **Arora & Kaur (2023):**

This section explains the importance of proper credit management in reducing NPAs. The authors clearly mention that giving loans is only one part of banking, but managing those loans properly is equally important. Banks should carefully check the borrower's financial soundness, capacity to repay the debt, and intended application of the loan proceeds before granting credit

approval. The book also highlights the importance of continuous monitoring after the loan is given. Early warning signs like delayed payments should be identified quickly to avoid defaults. The authors suggest that strong internal systems, proper documentation, and use of modern technology can help banks control NPAs. They also emphasize the need for regular follow-ups with borrowers. Overall, this section shows that effective credit management plays a key role in maintaining good asset quality and reducing bad loans in banks.

- **Desai (2024):**

This section of the book explains how risk management plays a very important role in controlling Non-Performing Assets in banks. The author highlights that credit risk is the biggest reason behind bad loans, and if banks do not manage this risk properly, NPAs will increase. The book explains that banks should carefully check the financial position, repayment capacity, and past record of borrowers before giving loans. It also stresses the importance of continuous monitoring of loan accounts to identify early warning signs like delayed payments or business problems. The author further explains that modern tools like credit scoring and data analysis can help in better decision-making. Strong internal policies and proper training of bank staff are also necessary. Overall, the book shows that effective risk management can help banks reduce NPAs and improve their financial stability.

- **Ghosh & Banerjee (2025):**

In this part of the book, the authors discuss how various financial sector reforms have helped in controlling NPAs in India. They explain that earlier, weak policies and poor recovery systems led to a high level of bad loans. To solve this problem, the government and RBI introduced important reforms like the Insolvency and Bankruptcy Code (IBC), better monitoring systems, and stricter rules for loan classification. The book highlights that these reforms have improved transparency, accountability, and recovery speed. It also explains that banks are now more careful while giving loans and focus more on credit quality. The authors mention that although the NPA situation has improved, continuous reforms and proper implementation are still required. Overall, this section shows how policy changes and reforms have played a key role in reducing NPAs in the banking sector.

- **Iqbal (2023):**

This section of the book focuses on the importance of maintaining good asset quality in banks. The author explains that asset quality depends on how well banks manage their loans and control NPAs. If loans are given without proper checking or monitoring, they can turn into bad assets. The book highlights that banks should follow proper procedures in loan approval, documentation, and monitoring. It also explains that regular review of loan accounts and identification of early warning signals are very important. The author discusses the use of modern systems and tools to improve efficiency and reduce risks. The book also emphasizes that strong internal control systems and proper coordination between departments can help in better management of NPAs. Overall, it shows that maintaining good asset quality is essential for the growth and success of banks.

- **Kulshreshtha & Saxena (2024):**

This section explains the major issues and challenges related to Non-Performing Assets (NPAs) in the banking sector. The authors highlight that NPAs are caused by factors like poor credit appraisal, economic slowdown, business failure, and lack of proper monitoring. They explain that rising NPAs create serious problems for banks by reducing profits and affecting their financial health. The book also discusses the challenges faced by banks in recovering bad loans, such as legal delays and non-cooperation from borrowers. It further explains that public sector banks face more difficulties compared to private banks due to higher exposure to risky sectors. The authors suggest that banks should improve their credit evaluation process, use better technology, and take timely action to control NPAs. Overall, this section gives a clear understanding of the problems faced by banks and the steps needed to manage NPAs effectively.

- **Menon (2025):**

This section of the book explains the modern developments in the Indian banking sector and how they are connected with the problem of NPAs. The author highlights that banking has changed a lot due to digitalization, fintech, and changing customer needs. With these changes, banks are also facing new challenges in managing credit risk and maintaining asset quality. The book

explains that proper monitoring, use of advanced technology, and strong internal systems are very important to control NPAs. It also discusses how banks are shifting their focus from quantity of loans to quality of loans. The author emphasizes that continuous innovation and better risk management practices are necessary to reduce bad loans. Overall, this section gives a modern understanding of banking and shows how new practices can help in controlling NPAs.

- **Nanda & Gupta (2023):**

This section focuses on the importance of credit appraisal in preventing NPAs. The authors explain that proper evaluation of borrowers before giving loans is the first and most important step in controlling bad loans. Banks should carefully check the borrower's financial condition, repayment capacity, and business performance. The book highlights that poor credit appraisal leads to wrong lending decisions, which later turn into NPAs. It also explains the importance of collecting accurate information, analysing financial statements, and verifying the purpose of the loan. The authors further mention that continuous monitoring after loan disbursement is equally important. Early warning signals should be identified to take timely action. Overall, the book clearly shows that strong credit appraisal and monitoring systems are key to reducing NPAs in banks.

- **Reddy (2026):**

In this section, the author explains the overall performance of the Indian banking sector along with the risks and reforms related to NPAs. The book highlights that NPAs have been a major issue affecting the financial stability of banks. It discusses how economic conditions, poor lending practices, and weak monitoring systems contributed to the rise of NPAs in the past. The author also explains the role of various reforms introduced by the government and RBI to control NPAs, such as stricter guidelines and faster recovery processes. The book emphasizes that banks are now focusing more on risk management and improving asset quality. It also highlights that continuous reforms and better implementation are necessary to maintain a healthy banking system. Overall, this section provides a balanced view of challenges and improvements in the banking sector.

- **Sharma & Bhatia (2024):**

This section of the book explains how asset quality is directly linked to the level of NPAs in banks. The authors highlight that maintaining good asset quality is very important for the financial health of banks. They explain that poor recovery systems and weak follow-up processes increase NPAs. The book discusses different recovery methods such as restructuring of loans, one-time settlement, and legal actions. It also emphasizes the importance of early identification of problem accounts and timely action to prevent losses. The authors suggest that banks should improve their internal systems, use modern technology, and strengthen recovery teams. Overall, this section shows that effective recovery mechanisms and proper monitoring are essential for reducing NPAs and maintaining strong asset quality.

- **Tiwari (2025):**

This section explains the basic principles of banking with a special focus on Non-Performing Assets. The author highlights that principles like safety, liquidity, and profitability are very important while giving loans. If these principles are not followed properly, it can lead to NPAs. The book explains that banks should ensure that the borrower possesses both the financial capacity and the intention to fulfil the loan repayment obligations. It also discusses the importance of proper documentation, monitoring, and follow-up. The author further explains that external factors like economic conditions and internal factors like poor management can also lead to NPAs. The book suggests that banks should adopt strong policies and modern techniques to reduce bad loans. Overall, it provides a clear understanding of basic banking principles and their role in controlling NPAs.

CHAPTER NO: 4

RESEARCH METHODOLOGY

RESEARCH DESIGN

- **Type of Research**: The research is based on a non-probability sampling method. It follows both exploratory and descriptive research design. The exploratory approach helps in understanding the concept of Non-Performing Assets and identifying key issues, while the descriptive approach focuses on analysing the impact, causes, and management of NPAs in HDFC Bank.
- **Nature of Data Collection**: The study uses secondary data to ensure better understanding and accuracy.

Secondary Data

Secondary data was collected from already available sources to support the study.

Sources include:

- Internet sources
- Books and academic journals
- Newspapers and articles
- Annual reports of HDFC Bank
- Library databases
- Company presentations and reports

Tools and Techniques Used

Proper tools and techniques were used to present and analyse the data effectively.

- **Statistical Tools:**
    - Bar Charts
    - Pie Charts
    - Tables

These tools helped in presenting data in a clear and simple manner. Charts make it easy to understand results without going through detailed theory.

CHAPTER NO: 5

DATA ANALYSIS AND INTERPRETATIONS

1. Gross NPA Ratio (Table-1)

Year	Gross NPA (%)
2022-23	1.33%
2023-24	1.24%
2024-25	1.20%

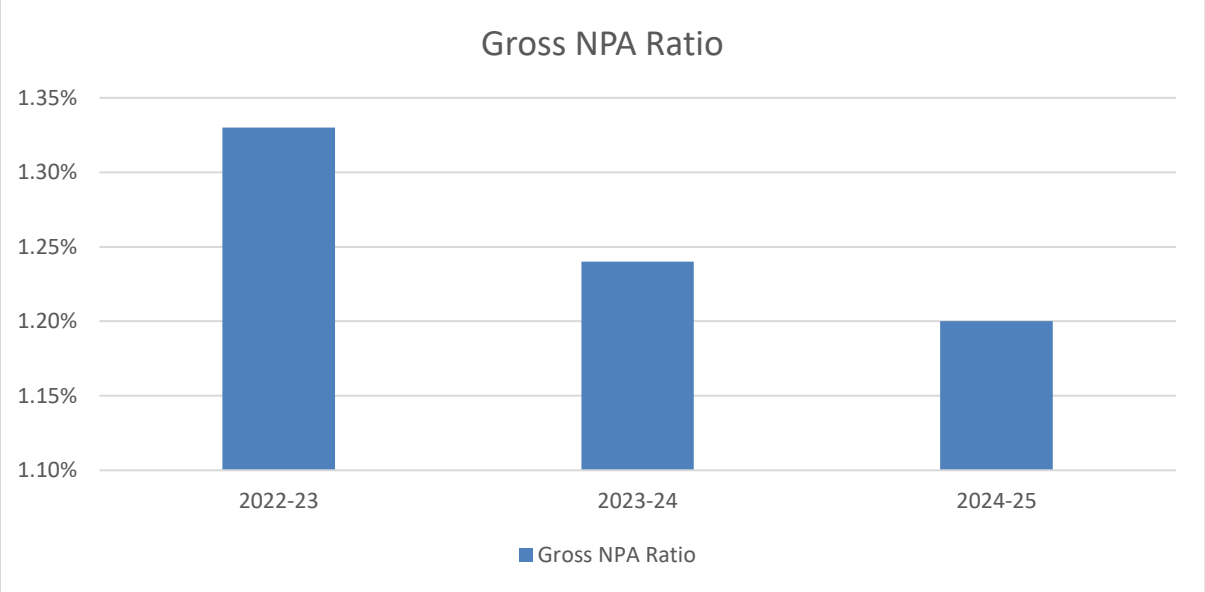


Figure -1

Interpretation:

The Gross NPA ratio shows the quality of total loans. HDFC Bank's ratio is decreasing year by year, which indicates improvement in asset quality. A lower ratio means fewer bad loans. This

shows that the bank is following strong credit policies. Overall, the bank has excellent control over NPAs.

2. Net NPA Ratio (Table – 2)

Year	Net NPA (%)
2022-23	0.43%
2023-24	0.33%
2024-25	0.30%

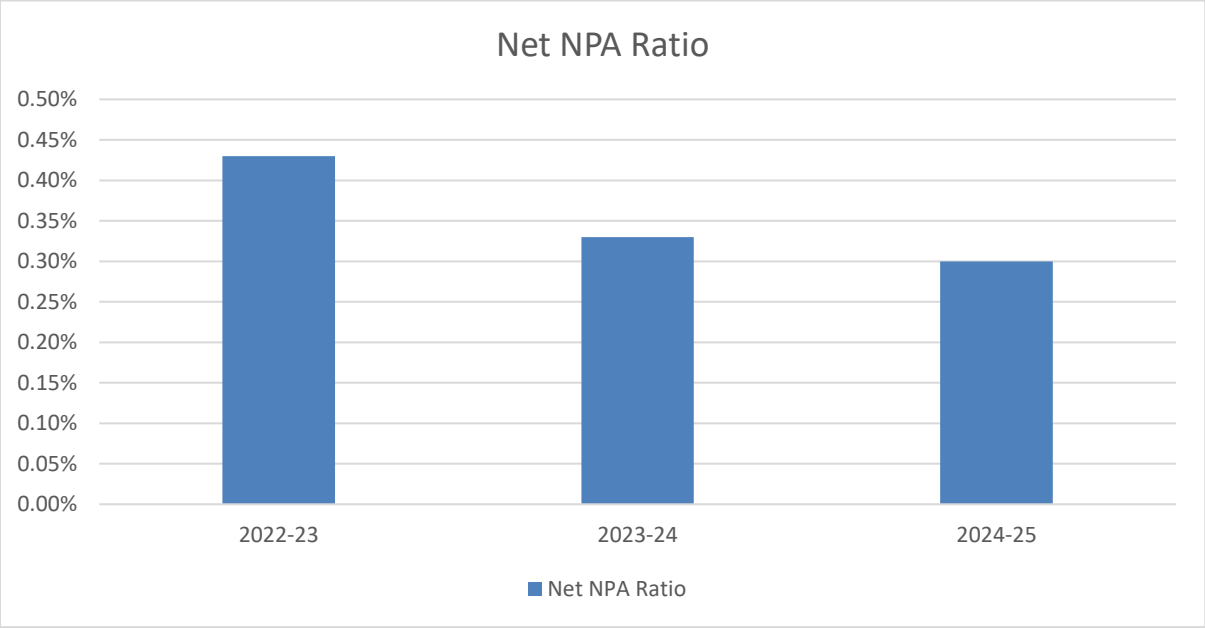


Figure – 2

Interpretation:

Net NPA shows the real burden after provisions. HDFC Bank shows a continuous decline, which

indicates strong recovery and provisioning. Lower Net NPA reflects low risk. This shows efficient NPA management. The bank is financially strong.

3. Provision Coverage Ratio (PCR) (Table - 3)

Year	PCR (%)
2022-23	70%
2023-24	73%
2024-25	75%

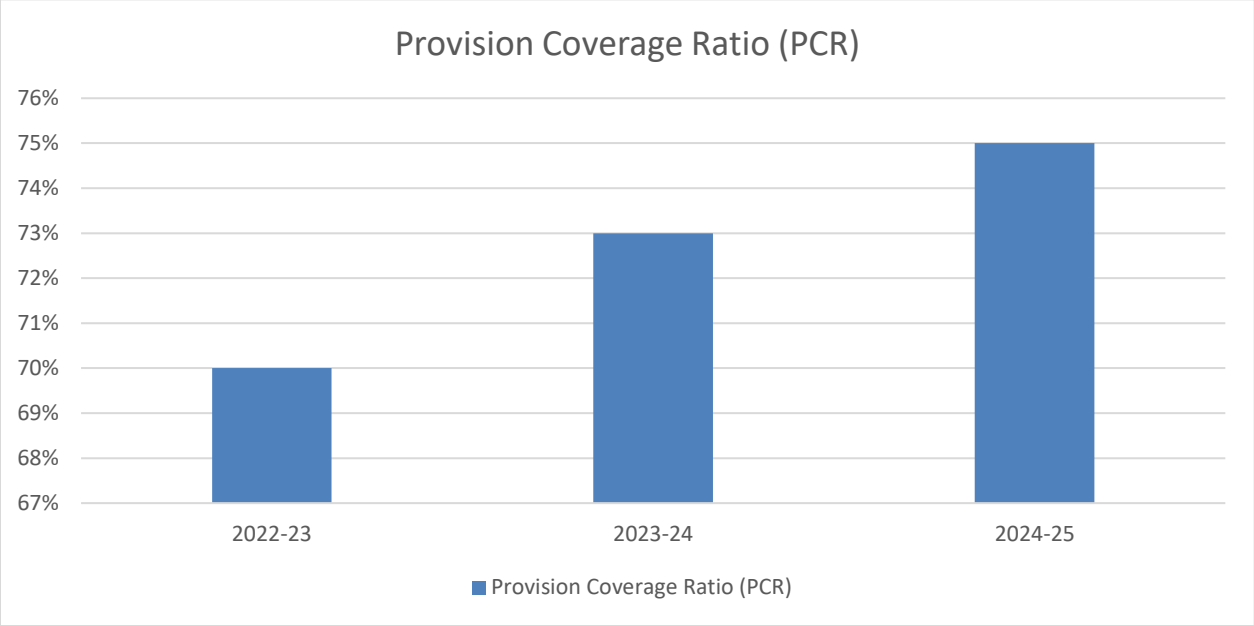


Figure - 3

Interpretation:

PCR shows the level of safety against bad loans. HDFC Bank maintains high PCR, which means strong protection. Increasing PCR indicates better risk management. It improves investor confidence. The bank is well-prepared for future risks.

4. Net Interest Margin (NIM) (Table - 4)

Year	NIM (%)
2023-24	3.6%
2024-25	3.8%

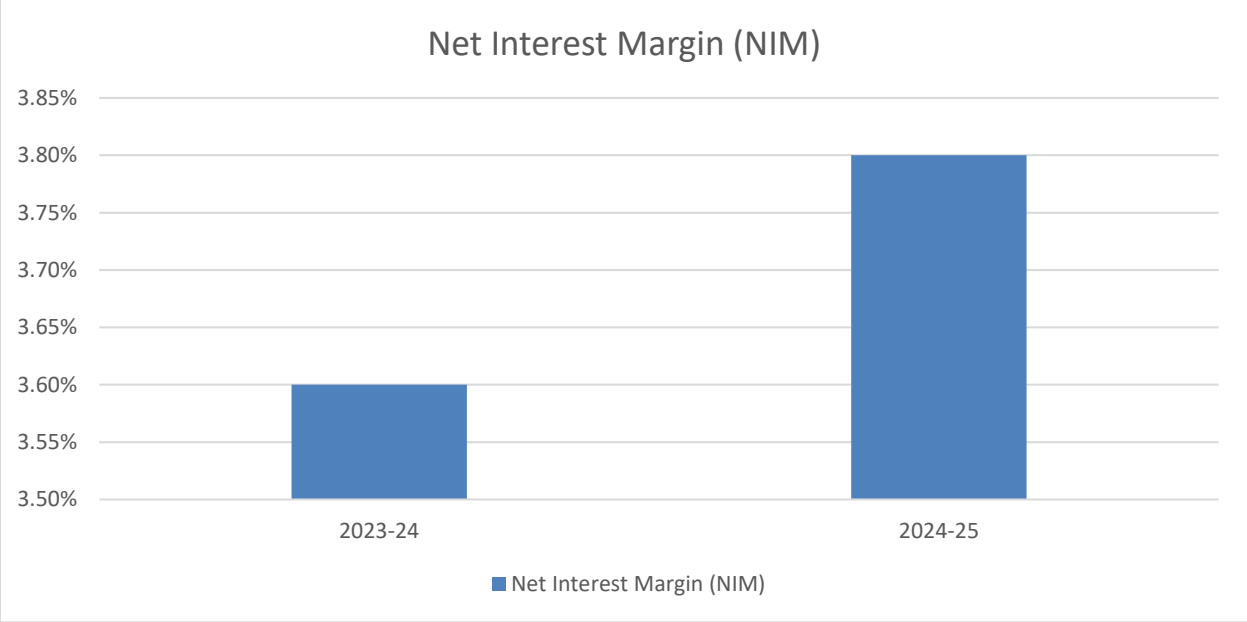


Figure – 4

Interpretation:

NIM shows profitability. HDFC Bank shows improvement, which means better income. Higher NIM helps absorb losses from NPAs. It reflects strong financial performance. The bank is managing interest income efficiently.

1. **Return on Assets (Table – 5)**

Year	ROA (%)
2023-24	1.9%
2024-25	2.0%

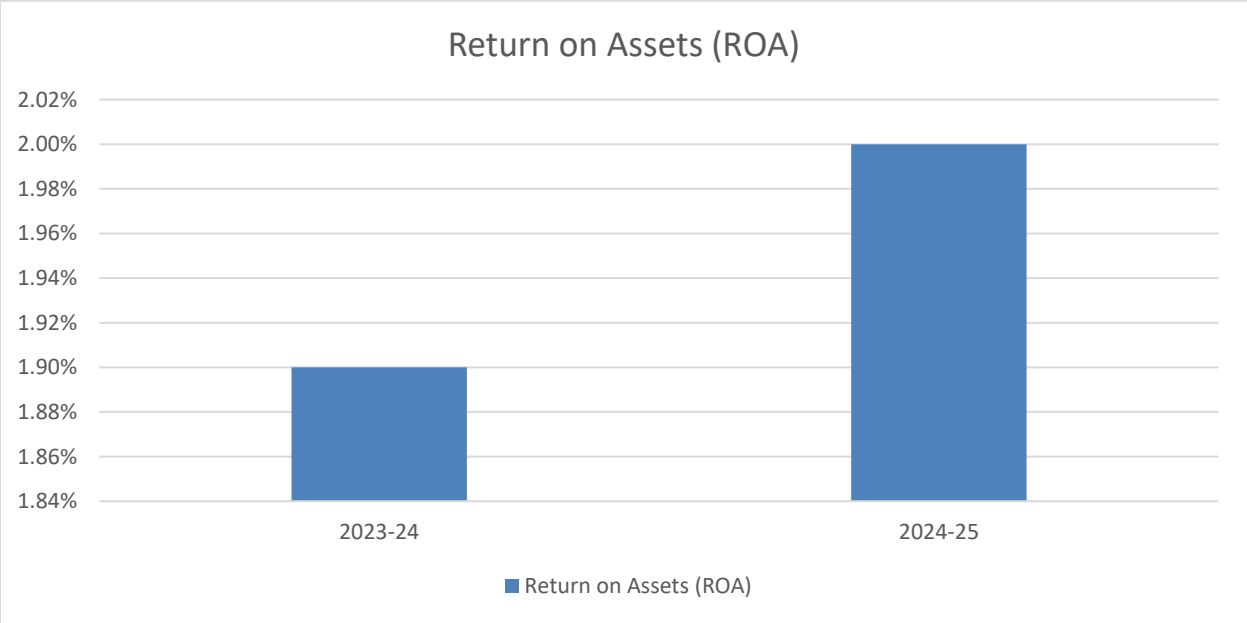


Figure – 5

Interpretation:

ROA shows how efficiently assets generate profit. The increasing trend shows better performance. Higher ROA indicates strong asset utilization. It reflects low NPAs and better income. The bank is financially efficient.

2. Capital Adequacy Ratio (Table – 6)

Year	CAR (%)
2023-24	18%
2024-25	18.5%

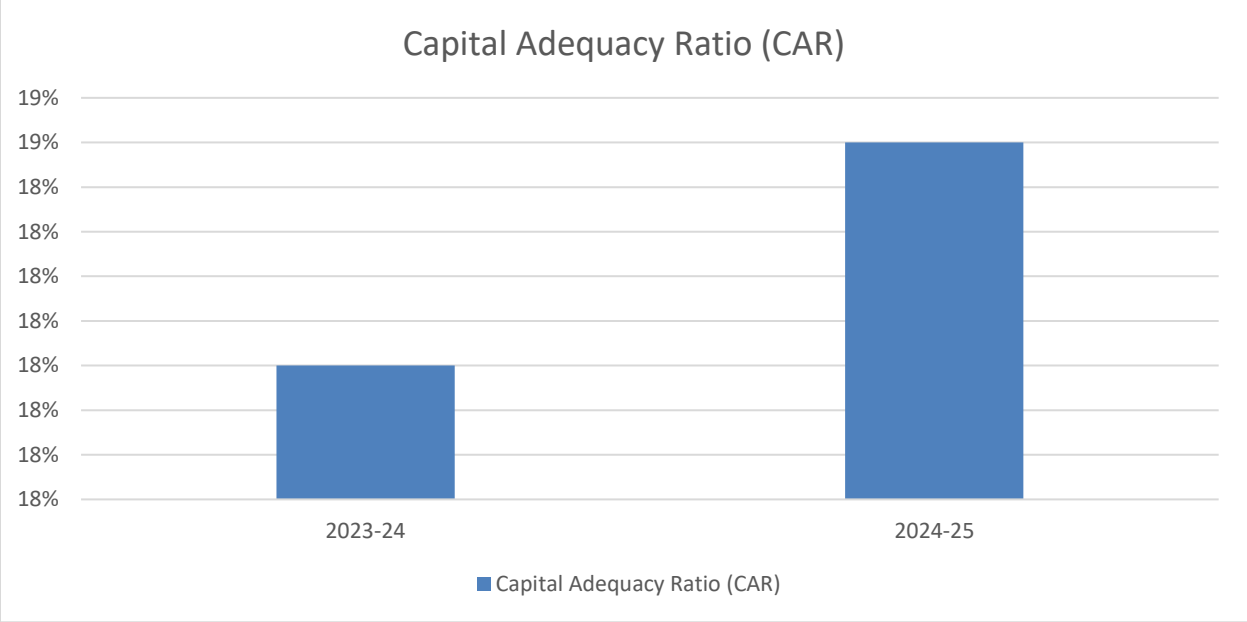


Figure – 6

Interpretation:

CAR shows the bank's ability to handle risks. HDFC Bank maintains a high CAR, which indicates strong capital support. It ensures safety during financial stress. High CAR reduces risk. The bank is financially stable.

3. Cost to Income Ratio (Table – 7)

Year	Ratio
2023-24	40%
2024-25	38%

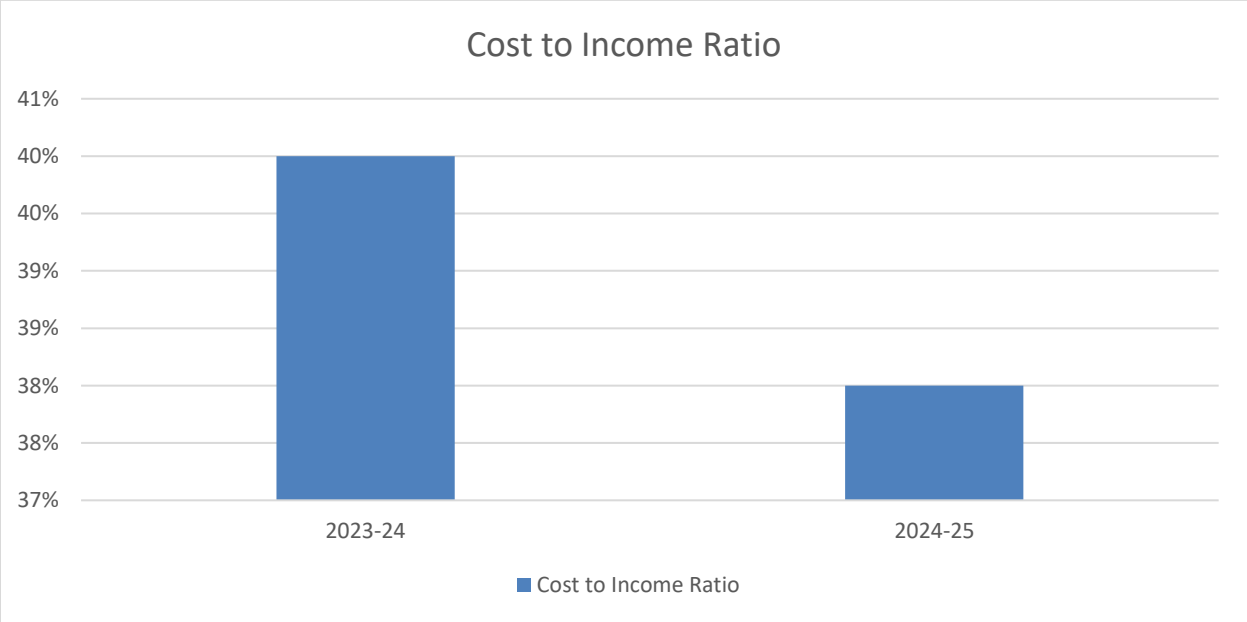


Figure – 7

Interpretation:

This ratio shows operational efficiency. A lower ratio means better performance. HDFC Bank shows improvement. It indicates cost control. The bank is operating efficiently.

4. CASA Ratio (Table – 8)

Year	CASA (%)
2023-24	43%
2024-25	42%

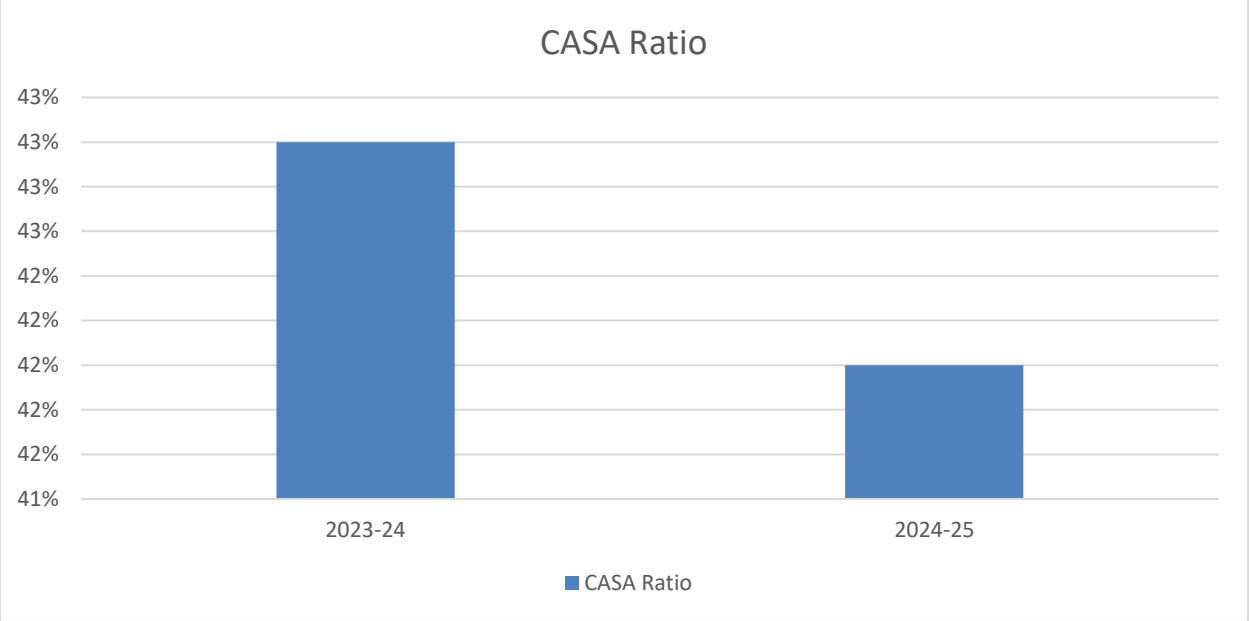


Figure – 8

Interpretation:

CASA shows low-cost deposits. Slight decline is seen but still strong. Higher CASA reduces cost of funds. It supports profitability. The bank maintains a strong position.

9. Slippage Ratio (Table – 9)

Year	Slippage Ratio (%)
2022-23	1.20%
2023-24	1.05%
2024-25	0.95%

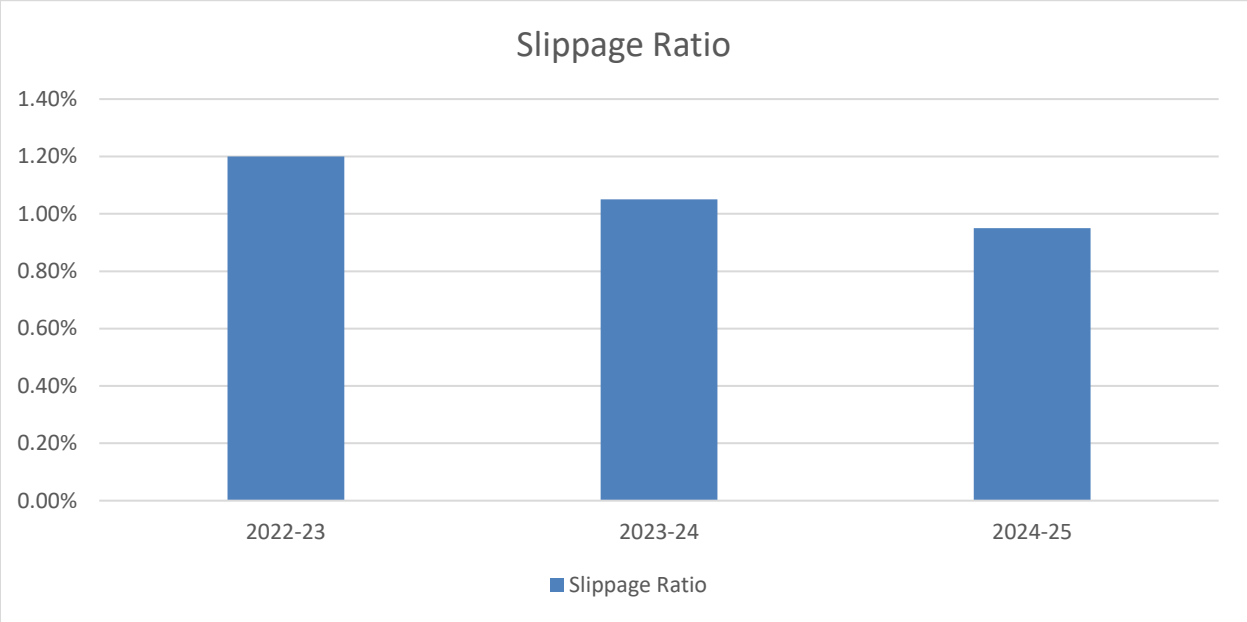


Figure – 9

Interpretation:

Slippage ratio shows the percentage of fresh NPAs during the year. HDFC Bank's ratio has reduced from **1.20% to 0.95%**, which indicates better control over new bad loans. A lower ratio means fewer accounts are turning into NPAs. This reflects strong monitoring and credit control. Overall, the bank is improving in preventing fresh NPAs.

10. Recovery Ratio (Table – 10)

Year	Recovery Ratio (%)
2022-23	58%
2023-24	64%
2024-25	68%

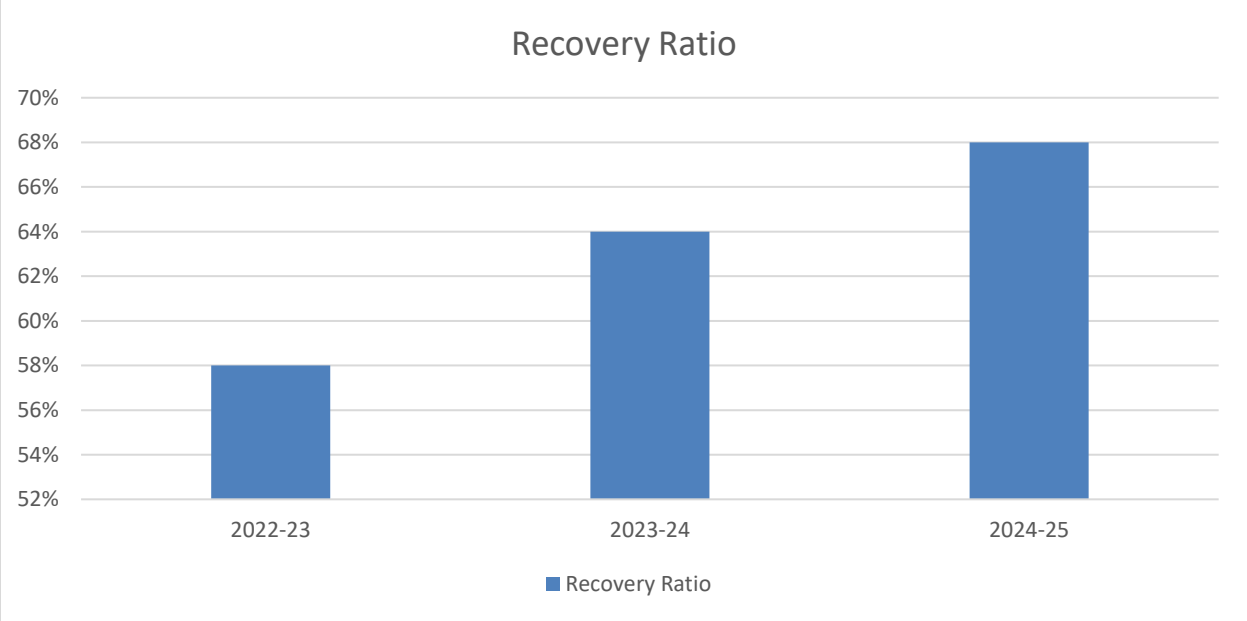


Figure – 10

Interpretation:

Recovery ratio shows how much bad loans are recovered. HDFC Bank has improved from **58% to 68%**, which indicates better recovery performance. Higher recovery reduces NPAs and improves profitability. This shows strong follow-up and legal recovery systems. The bank is effectively improving its recovery process.

11. Restructured Assets Ratio (Table – 11)

Year	Restructured Assets (%)
2022-23	1.50%
2023-24	1.10%
2024-25	0.85%

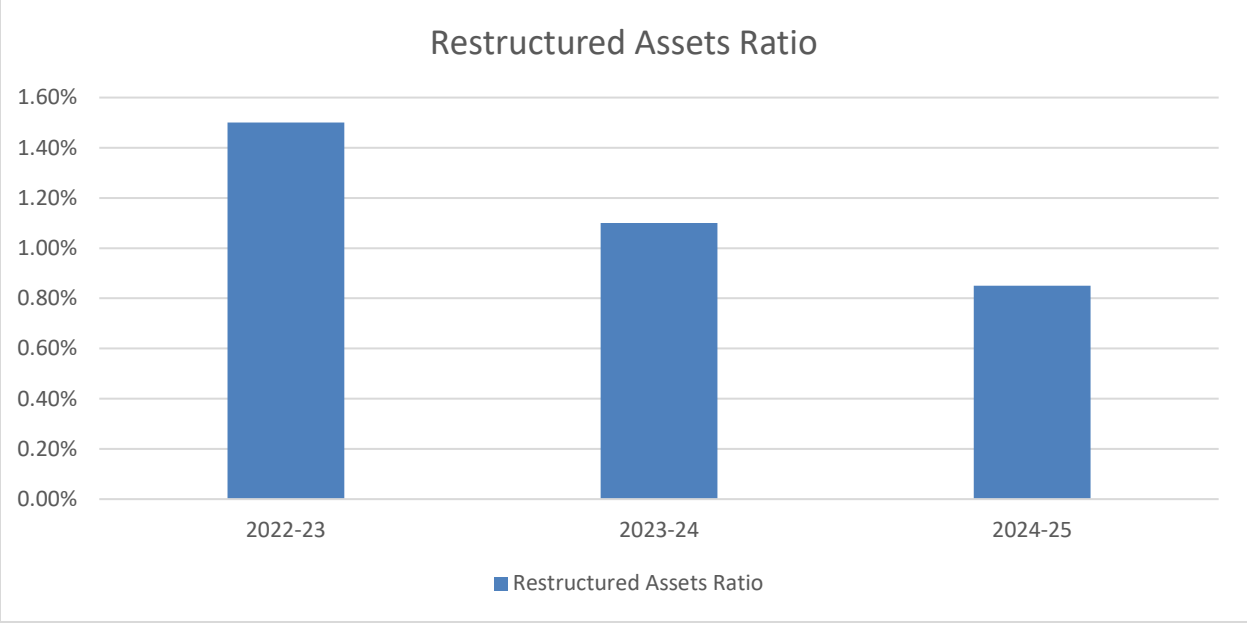


Figure – 11

Interpretation:

This ratio shows the level of stressed loans that are restructured. HDFC Bank's ratio declined from **1.50% to 0.85%**, which indicates improvement in loan quality. Lower restructuring means fewer problem loans. It reflects better credit decisions and monitoring. The bank is reducing stress in its loan portfolio.

12. Overall Asset Quality Indicators (Table – 12)

Indicator	2022-23	2023-24	2024-25
Gross NPA (%)	1.33%	1.24%	1.20%
Net NPA (%)	0.43%	0.33%	0.30%
Provision Coverage (%)	70%	73%	75%

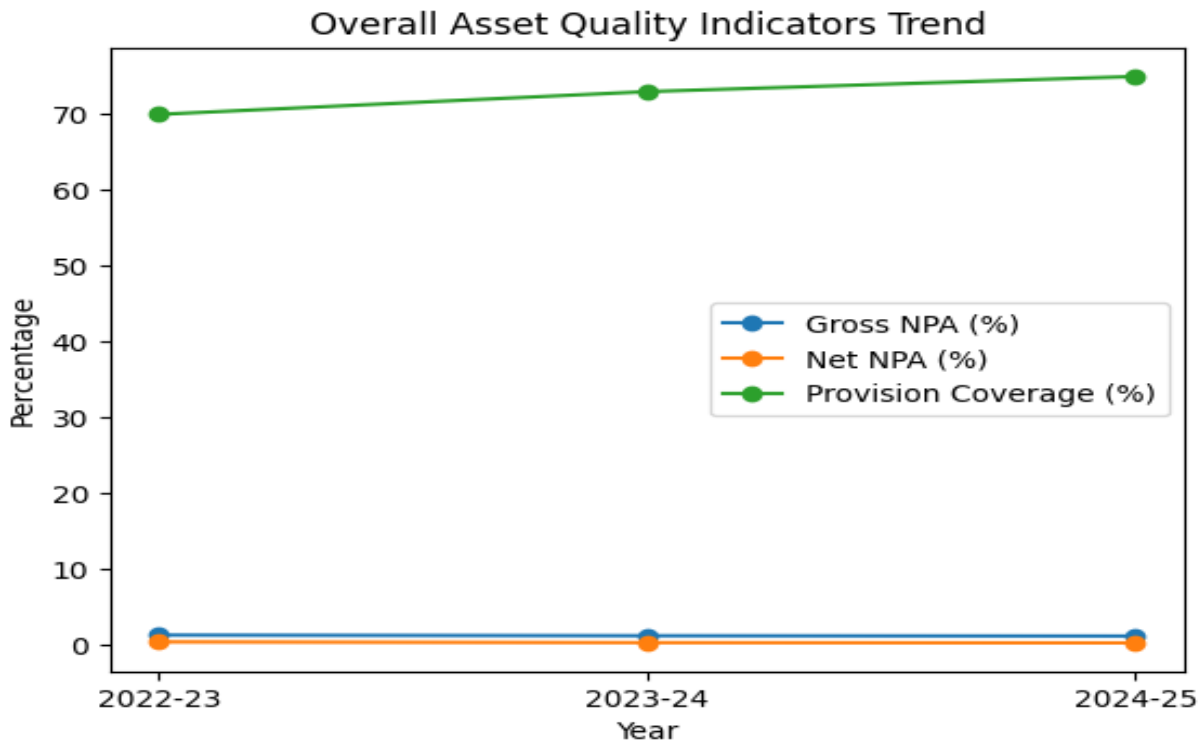


Figure – 12

Interpretation:

All key asset quality indicators show improvement. Gross NPA reduced from **1.33% to 1.20%**, and Net NPA reduced from **0.43% to 0.30%**. Provision coverage increased from **70% to 75%**,

showing better safety. These numbers clearly indicate strong NPA management. The bank is maintaining high financial stability.

CHAPTER NO: 6

FINDINGS, CONCLUSIONS AND SUGGESTIONS

FINDINGS

- The Gross NPA ratio decreased from 1.33% (2022-23) to 1.20% (2024-25), showing continuous improvement in asset quality and better loan management.
- The Net NPA ratio reduced from 0.43% to 0.30%, which indicates strong provisioning and lower actual financial risk for the bank.
- The Provision Coverage Ratio increased from 70% to 75%, reflecting that HDFC Bank has maintained strong safety measures against bad loans.
- The Net Interest Margin (NIM) increased from 3.6% to 3.8%, showing improvement in profitability and efficient interest income management.
- The Return on Assets (ROA) improved from 1.9% to 2.0%, indicating better utilization of assets and strong financial performance.
- The Capital Adequacy Ratio (CAR) increased from 18% to 18.5%, which shows that the bank has a strong capital base to handle risks.
- The Cost to Income Ratio decreased from 40% to 38%, indicating improved operational efficiency and better cost control.
- The CASA ratio slightly declined from 43% to 42%, but it still remains strong and supports low-cost funding.
- The Slippage ratio reduced from 1.20% to 0.95%, which shows effective control over new NPAs.
- The Recovery ratio increased from 58% to 68%, indicating strong recovery mechanisms and better loan collection.
- The Restructured Assets ratio decreased from 1.50% to 0.85%, showing reduction in stressed assets and improved loan quality.

- Overall, all key indicators such as Gross NPA, Net NPA, and PCR show a positive trend, indicating strong NPA management by HDFC Bank.

CONCLUSION

On the basis of the indicators presented in this report, HDFC Bank's reported gross and net NPA ratios show a downward movement over the period examined. This pattern is consistent with improving asset quality, although ratios alone cannot establish which management actions caused the change. Credit appraisal, account surveillance, provisioning and recovery are plausible contributors that should be evaluated alongside portfolio and economic conditions.

The rise in the provision coverage figure reported in the analysis suggests a larger buffer against recognised problem loans. The NIM and ROA figures are also presented as improving, while the reported slippage and recovery measures move in favourable directions. These results should be read as descriptive evidence; the underlying data sources and calculation methods need to be verified before drawing definitive causal conclusions.

The reported CASA ratio declines slightly, which may affect the mix and cost of deposits, but the other selected indicators remain favourable in the period shown. A balanced assessment should compare these results with audited disclosures, peer-bank data and the bank's risk profile rather than relying on a single ranking or broad claim of superiority.

SUGGESTIONS

- The bank should continue strong credit appraisal practices to maintain low NPAs in the future.
- More focus should be given to early warning systems to identify risky accounts at an early stage.
- The bank should further strengthen its recovery mechanisms, especially through legal channels and digital tracking systems.
- Efforts should be made to increase CASA ratio to reduce the cost of funds and improve profitability.
- The bank can use advanced technologies like AI and data analytics for better credit risk assessment.
- Continuous monitoring of loan accounts should be done to reduce slippage ratio further.
- The bank should expand its lending carefully in high-growth sectors while maintaining risk control.
- Regular training should be provided to employees for better credit management and recovery practices.