



# Non-Performing Assets as A Hurdle to Viksit Bharat 2047: A Critical Study of Systemic Risk and Developmental Impact

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**ABSTRACT:** The vision of *Viksit Bharat 2047* aspires to transform India into a developed economy by its centenary of independence. A robust and inclusive financial system is central to this transformation. However, the persistent challenge of Non-Performing Assets (NPAs) poses a systemic threat to the efficiency and stability of the Indian banking sector. This paper critically analyzes how high levels of NPAs obstruct credit flow, depress bank profitability, impair infrastructure financing, and ultimately hinder inclusive economic growth. Through secondary data analysis, policy review, and sectoral evaluation, the study establishes that unless the NPA burden is effectively mitigated, India's developmental aspirations under *Viksit Bharat 2047* may remain aspirational. The paper concludes with actionable policy suggestions for NPA resolution and banking sector reforms.

**KEYWORDS:** Non-Performing Assets (NPAs), Indian Banking Sector, *Viksit Bharat 2047*, Financial Inclusion

## I. INTRODUCTION

India's aspiration to become a developed nation by 2047—coined as *Viksit Bharat 2047*—relies heavily on strong financial institutions, particularly the banking sector. Banks are pivotal in mobilizing savings, allocating capital, and financing infrastructure and inclusive growth. A well-functioning credit system not only accelerates economic activity but also supports key pillars of development such as industrial expansion, entrepreneurship, financial inclusion, and social equity. However, India's banking sector has been plagued by a chronic issue: the accumulation of Non-Performing Assets (NPAs). NPAs refer to loans or advances for which the principal or interest payment remains overdue for a period of 90 days or more. The rise in NPAs affects banks' ability to lend, necessitates higher provisioning, reduces profitability, and ultimately undermines confidence in the financial system. In this context, the study

investigates a critical question: To what extent do NPAs obstruct India's developmental trajectory toward *Viksit Bharat 2047*? This research explores the multi-dimensional impact of NPAs on India's economic goals, using quantitative trends and policy analysis to justify the need for urgent reforms.

## II. OBJECTIVES OF THE STUDY

1. To examine the trends and causes of NPAs in the Indian banking sector (2015–2024).
2. To analyze the impact of NPAs on credit growth, sectoral investment, and economic development.
3. To assess the link between high NPA levels and barriers to the goals of *Viksit Bharat 2047*, such as infrastructure growth, financial inclusion, and innovation.
4. To propose policy recommendations aimed at reducing NPAs and strengthening financial resilience.

## III. REVIEW OF LITERATURE

The problem of Non-Performing Assets (NPAs) has been a subject of extensive research due to its direct implications for financial stability, bank performance, and macroeconomic growth. In the context of India's long-term vision of *Viksit Bharat 2047*, which aspires to position the country among the ranks of developed economies, the persistence of NPAs presents a significant challenge. This section reviews the academic and policy-based literature that outlines the trends, causes, consequences, and responses to the NPA crisis in India.

### 3.1 Trends and Historical Context of NPAs in India

The NPA problem in India can be traced back to the early 1990s, following the liberalization of the economy and the consequent credit expansion. A significant increase in NPAs was recorded during the post-2008 global financial crisis due to aggressive lending, weak credit appraisal systems, and economic slowdown. According to the Raghuram Rajan



Committee Report (2009), the Indian banking sector suffered from an overhang of restructured loans, which eventually slipped into the NPA category.

The Economic Survey (2016–17) introduced the concept of the “Twin Balance Sheet Problem”, highlighting the stress on corporate balance sheets and the resultant strain on banks' ability to lend. By 2018, India's gross NPA ratio had peaked at 11.2% of total advances, severely impacting public sector banks (RBI, 2019).

### 3.2 Causes of Rising NPAs: Sectoral and Structural Analysis

Multiple reports, including the RBI Financial Stability Reports (2017–2024), have consistently identified sector-specific stress as a key contributor to the NPA surge. Sectors like infrastructure, power, steel, telecom, and aviation faced delays, cost overruns, and regulatory bottlenecks. Public sector banks were more vulnerable due to their higher exposure to these sectors and weaker risk assessment frameworks (RBI, 2022).

Kaur and Singh (2011) observed that banks' over-reliance on collateral rather than cash-flow-based lending significantly contributed to the asset quality deterioration. Ghosh (2015) provided empirical evidence that high NPAs not only reduce banks' profitability but also erode their capital base, leading to a contraction in credit supply to productive sectors like MSMEs and agriculture.

### 3.3 Theoretical Framework: NPAs and Economic Development

From a theoretical lens, NPAs are a manifestation of market failure within the financial system. According to Diamond and Dybvig (1983), banks play a crucial intermediation role by converting short-term deposits into long-term loans. However, when assets become non-performing, this intermediation function weakens, leading to what is termed as a “credit shock.”

Rajan and Zingales (2003) emphasized that a dysfunctional banking system distorts capital allocation, discourages innovation, and slows down economic development. The IMF (2016) in its Global Financial Stability Report warned that unresolved NPAs could lead to a prolonged investment slowdown, especially in emerging economies.

### 3.4 Global Perspectives and Comparative Studies

Internationally, prolonged banking crises caused by NPAs have had devastating macroeconomic consequences. Reinhart and Rogoff (2009)

documented that countries that delayed cleaning up their banking systems—such as Japan during its “Lost Decade” and several Latin American economies in the 1980s—suffered slow recoveries, stagnant credit growth, and weak investor confidence.

The East Asian financial crisis (1997) also demonstrated that NPAs, if not addressed proactively, could lead to systemic banking failures. These experiences underline the importance of timely resolution mechanisms like Asset Reconstruction Companies (ARCs), “bad banks,” and strengthened regulatory oversight.

### 3.5 Indian Policy Response to NPAs

India has adopted several policy measures to tackle the NPA crisis over the years. These include:

- a) SARFAESI Act (2002) – to enable secured creditors to enforce security interests without court intervention.
- b) Debt Recovery Tribunals (DRTs) – to expedite recovery of dues from borrowers.
- c) Corporate Debt Restructuring (CDR) and Strategic Debt Restructuring (SDR) – to provide alternate resolution mechanisms.
- d) Insolvency and Bankruptcy Code (IBC, 2016) – aimed at time-bound resolution of insolvency cases.

However, the Parliamentary Standing Committee on Finance (2021) noted that while IBC was a significant reform, its effectiveness was limited by procedural delays, litigation bottlenecks, and capacity constraints of National Company Law Tribunals (NCLTs). RBI (2023) also observed that recovery rates under IBC were declining—from over 40% in 2018 to around 23% in 2022.

### 3.6 NPAs and the Banking Sector's Development Role

According to Chakrabarty (2012), a former RBI Deputy Governor, the rise in NPAs undermines the basic developmental role of banks—particularly public sector banks—in supporting financial inclusion, rural credit, and priority sector lending. As provisioning requirements increase, banks prefer safer assets (e.g., government securities), leading to “credit rationing.”

Empirical research by Bhattacharya and Das (2020) found that credit growth in public sector banks declined sharply in the years following high NPA levels, thereby adversely impacting infrastructure and industrial growth. This has direct implications for India's ability to achieve long-term development targets under Viksit Bharat 2047, which requires robust capital formation and productive credit flow.



### 3.7 Research Gaps

While substantial literature exists on NPAs' causes and effects, there is limited research explicitly linking NPAs to broader national development frameworks such as *Viksit Bharat 2047*. Most studies have focused on microeconomic impacts—such as bank-level profitability or capital adequacy—without exploring how NPAs constrain India's strategic goals in infrastructure, innovation, financial inclusion, and equitable growth. This study attempts to fill that gap by assessing NPAs as a systemic development hurdle, thereby providing a bridge between financial sector performance and long-term national vision planning.

## IV. RESEARCH METHODOLOGY

This research adopts a descriptive and analytical methodology, grounded in a critical evaluation of secondary data to investigate how Non-Performing Assets (NPAs) have hindered India's financial and developmental goals, particularly in the context of the national vision for *Viksit Bharat 2047*. The study is exploratory in nature, aiming to uncover long-term structural linkages between the performance of the banking sector and the wider developmental aspirations of the Indian economy.

The research design is qualitative-quantitative hybrid, involving the use of both numerical data (such as NPA ratios, provisioning levels, credit growth figures, and sectoral exposure statistics) and qualitative insights (such as policy evaluations, institutional reports, and regulatory measures). The purpose is to present a comprehensive and contextualized picture of how NPAs impact macroeconomic stability, fiscal priorities, and inclusive growth—all of which are foundational to realizing *Viksit Bharat 2047*.

### 4.1 Period of Study (2015–2024)

The selected study period of 2014 to 2024 is strategically chosen to capture a decade of critical transformation in India's banking sector, coinciding with significant policy shifts and economic disruptions. This period begins with the prelude to the RBI's Asset Quality Review (AQR) in 2015–16, which exposed deep-rooted stress in bank balance sheets, particularly within public sector banks that had overextended credit to infrastructure and industrial projects during earlier years. It marks the onset of the Twin Balance Sheet crisis, followed by sweeping reforms such as the introduction of the Insolvency and Bankruptcy Code (IBC) in 2016, bank recapitalization efforts, and governance improvements in lending practices. The period also

includes the disruptive effects of the COVID-19 pandemic and subsequent financial support measures, which had temporary implications for NPA recognition. By extending the analysis up to 2024, the study encompasses the recovery trajectory, including the sharp decline in Gross NPA ratios from their peak of 11.2% in 2018 to around 3.2% in early 2024, as reported by the Reserve Bank of India. However, this apparent improvement is tempered by concerns over aggressive write-offs, loan transfers to ARCs, and regulatory forbearance, which may mask underlying vulnerabilities. Overall, this decade-long window provides a comprehensive lens to evaluate the effectiveness of India's NPA resolution mechanisms within the broader developmental narrative of *Viksit Bharat 2047*.

### 4.2 Data Sources and Tools

The study uses secondary data obtained from reliable institutional sources. These include:

- Reserve Bank of India (RBI) publications: Financial Stability Reports, Annual Reports, and Database on Indian Economy
  - Ministry of Finance documents and budget speeches
  - Economic Surveys (particularly those from 2015–16 to 2023–24)
  - Reports from NITI Aayog, especially those outlining the *Viksit Bharat @2047* vision
  - International organizations such as the International Monetary Fund (IMF) and World Bank
  - Academic research from reputed journals like *Economic and Political Weekly*, *Journal of Banking and Finance*, and *RBI Occasional Papers*
- Quantitative analysis is carried out using ratio analysis techniques for metrics such as:
- Gross and Net NPA Ratios
  - Provision Coverage Ratio (PCR)
  - Return on Assets (RoA)
  - Credit growth trends
  - CAGR of NPAs and sectoral lending over time

Trend analysis and graphical representations are used to visualize the data and interpret historical patterns. Where required, compound annual growth rates (CAGR) and correlation analysis are used to compare the relationships between NPAs, credit growth, and macroeconomic indicators.

Nevertheless, this methodology offers a robust framework for linking NPA trends to developmental outcomes and drawing meaningful conclusions about the reforms needed to align India's financial sector with the *Viksit Bharat 2047* vision.



## V.DATA ANALYSIS AND INTERPRETATION (OBJECTIVE-WISE)

### 5.1 To Examine the Trends and Causes of NPAs in the Indian Banking Sector (2015–2024)

A detailed analysis of Non-Performing Assets (NPAs) over the last decade highlights the challenges and corrective measures that have shaped the trajectory of India's banking sector. The period from

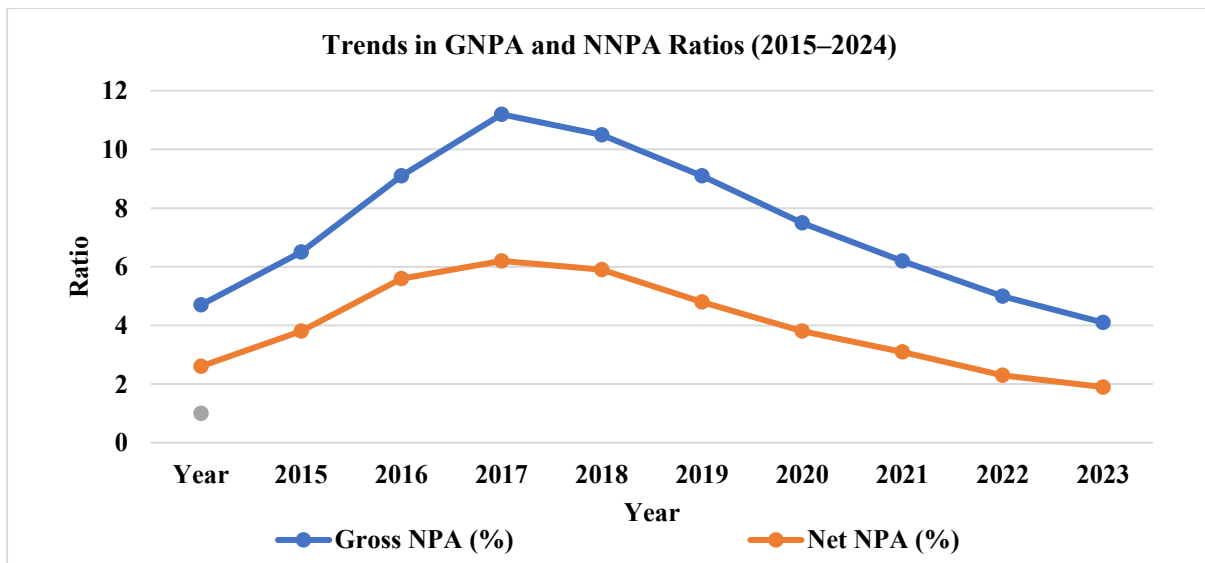
2015 to 2024 is particularly significant, not only due to the rapid escalation and subsequent decline in NPA levels but also because of its relevance to India's broader developmental agenda under *Viksit Bharat 2047*. As India aims to emerge as a developed nation by its centenary of independence, the efficiency of the banking system becomes foundational to achieving goals related to infrastructure development, financial inclusion, industrial growth, and social equity.

Table 1: Trends in GNPA and NNPA Ratios (2015–2024)

Year	Gross NPA (%)	Net NPA (%)
2015	4.7	2.6
2016	6.5	3.8
2017	9.1	5.6
2018	11.2	6.2
2019	10.5	5.9
2020	9.1	4.8
2021	7.5	3.8
2022	6.2	3.1
2023	5.0	2.3
2024	4.1	1.9

Source: RBI Financial Stability Reports (2015–2024)

Figure 1: Trends of Gross and Net NPAs (2015–2024)



This decade began with a major regulatory reform—the RBI's Asset Quality Review (AQR) in 2015–16—which led to the identification of previously unrevealed bad loans, especially in the

infrastructure and corporate sectors. The result was a significant spike in the Gross NPA ratio from 4.7% in 2015 to 11.2% in 2018, marking the peak of India's



NPA crisis. Net NPAs also surged, reflecting the erosion of banks' capital buffers.

This surge was not an anomaly but the outcome of years of unsustainable lending practices during the 2008–2012 credit boom. Loans extended to sectors like power, steel, telecom, and infrastructure faced stress due to project delays, regulatory bottlenecks, and poor risk assessments. A significant portion of these loans became unviable, leading to large-scale defaults (RBI, 2018).

In response, structural reforms like the Insolvency and Bankruptcy Code (IBC) were introduced in 2016. Over time, enhanced provisioning norms, resolution mechanisms through National Company Law Tribunals (NCLTs), and recapitalization of public sector banks led to a gradual improvement in asset quality. By 2024, the Gross NPA ratio declined to 4.1%, and Net NPAs improved to 1.9%—a notable recovery.

However, the interpretation of these trends requires caution. As highlighted in the RBI's Financial Stability Report (2023), much of the decline in NPA ratios post-2020 was due to aggressive write-offs, sale of bad loans to Asset Reconstruction Companies (ARCs), and restructuring under COVID-19 relief frameworks, rather than organic recovery or improved credit discipline.

### Financial Fragility and Its Implications for *Viksit Bharat 2047*

The rise and fall of NPAs between 2015 and 2024 have direct implications for India's development path:

- The NPA surge (2016–2018) coincided with a slowdown in infrastructure financing, affecting

road, rail, and energy projects—sectors prioritized in the *Viksit Bharat* roadmap.

- As capital became locked in unresolved loans, banks became risk-averse, reducing credit flow to MSMEs and startups, thus impacting entrepreneurship and employment generation.
- Public funds that could have been directed toward education, health, and green energy were instead used to recapitalize public sector banks.
- The impaired capacity of banks to lend effectively obstructed financial inclusion efforts, particularly in rural areas and underserved segments. Thus, NPAs represent not only a financial crisis but a developmental bottleneck. Without addressing the root causes of asset quality deterioration and ensuring sustainable credit practices, India's vision of *Viksit Bharat 2047* risks being undermined by cyclical financial instability and constrained fiscal capacity

### 5.2 To Analyze the Impact of NPAs on Credit Growth, Bank Profitability, and Economic Development

The burden of Non-Performing Assets (NPAs) in the Indian banking sector has far-reaching consequences beyond balance sheets. It directly impairs banks' ability to provide credit, undermines profitability, and reduces the sector's capacity to finance inclusive and sustainable development—goals central to *Viksit Bharat 2047*. This objective focuses on understanding how NPAs during the period 2015–2024 affected credit growth, provisioning patterns, and public investment priorities, drawing from data analysis and institutional reports.

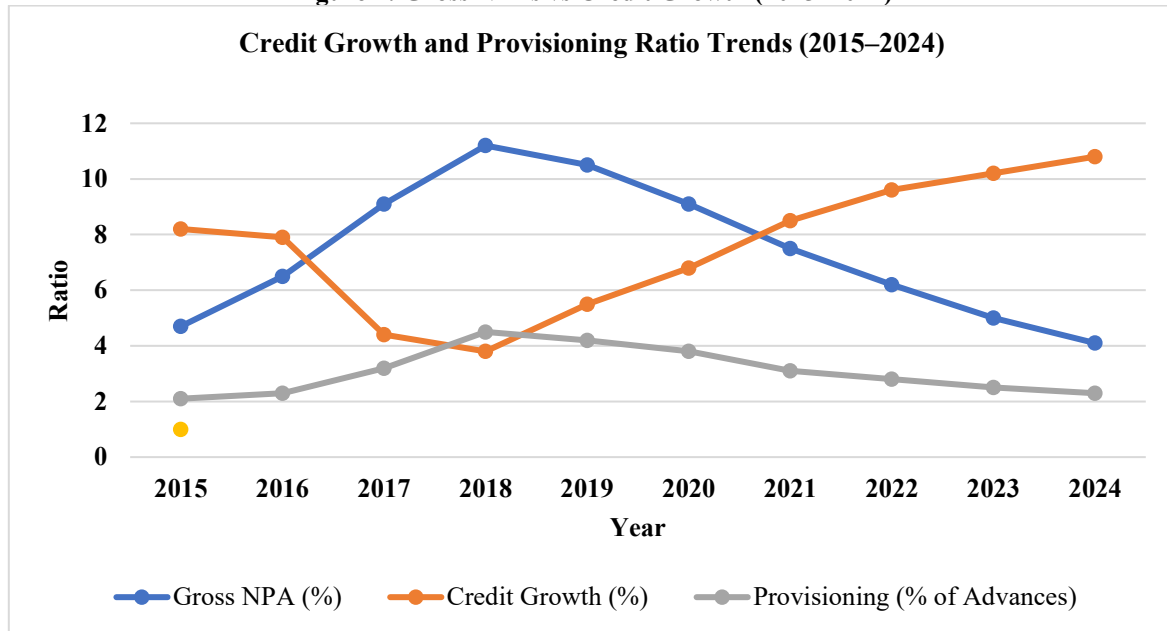
Table 2: Credit Growth and Provisioning Ratio Trends (2015–2024)

Year	Gross NPA (%)	Credit Growth (%)	Provisioning (% of Advances)
2015	4.7	8.2	2.1
2016	6.5	7.9	2.3
2017	9.1	4.4	3.2
2018	11.2	3.8	4.5
2019	10.5	5.5	4.2
2020	9.1	6.8	3.8
2021	7.5	8.5	3.1
2022	6.2	9.6	2.8
2023	5.0	10.2	2.5
2024	4.1	10.8	2.3

Source: RBI Financial Stability Reports (2015–2024), Economic Survey (various years)



Figure 2: Gross NPAs vs Credit Growth (2015–2024)



This graph clearly depicts an inverse relationship between Gross NPA ratios and credit growth. As NPA levels peaked in 2017–2018, credit growth plummeted to below 4%, highlighting how capital got stuck in non-performing loans. The slowdown in credit flow was particularly severe in the MSME, agriculture, and infrastructure sectors—areas critical to employment, rural development, and industrialization.

Provisioning as a percentage of advances also reached 4.5% in 2018, according to RBI data, signaling a sharp rise in banks’ risk buffers. While this helped improve balance sheet resilience, it reduced the funds available for lending and innovation, defeating the core developmental objectives of *Viksit Bharat*.

#### Interpretation in the Light of *Viksit Bharat 2047*

The period of high NPAs had a chilling effect on India’s credit ecosystem. This directly contradicted the vision of *Viksit Bharat 2047*, which demands robust credit delivery mechanisms to support:

- Entrepreneurship and MSMEs, which create the bulk of India’s jobs
- Greenfield infrastructure projects, essential for logistics and urban growth
- Digital innovation, particularly in rural and tier-2/3 areas

- Women-led businesses and financial inclusion initiatives

The reduction in credit growth not only slowed GDP expansion but also delayed multiplier effects on investment, consumption, and employment—thus undermining core developmental targets like job creation, poverty reduction, and regional balance.

Furthermore, as NPAs surged, the government had to inject over ₹3.1 lakh crore into public sector banks between FY2016 and FY2021. This diverted fiscal resources away from health, education, water, sanitation, and clean energy programs—all essential components of the *Viksit Bharat 2047* vision (Ministry of Finance, 2021).

#### 5.3 To Assess the Link Between NPAs and Developmental Barriers to *Viksit Bharat 2047*

While Non-Performing Assets (NPAs) are conventionally viewed through the lens of financial health and regulatory compliance, their implications extend much further—impacting employment, infrastructure, entrepreneurship, and regional equity. This makes them a structural hurdle to the realization of *Viksit Bharat 2047*, which envisions India as an inclusive, sustainable, and innovation-driven economy by its 100th year of independence. This section assesses how NPAs have obstructed the achievement of these goals during 2015–2024.



**Table 3: Sector-wise NPA Distribution in Public Sector Banks (as % of total NPAs)**

Sector	2016	2018	2020	2022	2023
Infrastructure	34%	36%	33%	29%	26%
MSMEs	8%	9%	12%	13%	14%
Agriculture	6%	8%	10%	11%	11%
Large Industry	30%	28%	27%	24%	21%
Retail/Personal	3%	5%	7%	8%	6%

*Source: RBI Financial Stability Reports, SIDBI Reports (2016–2024)*

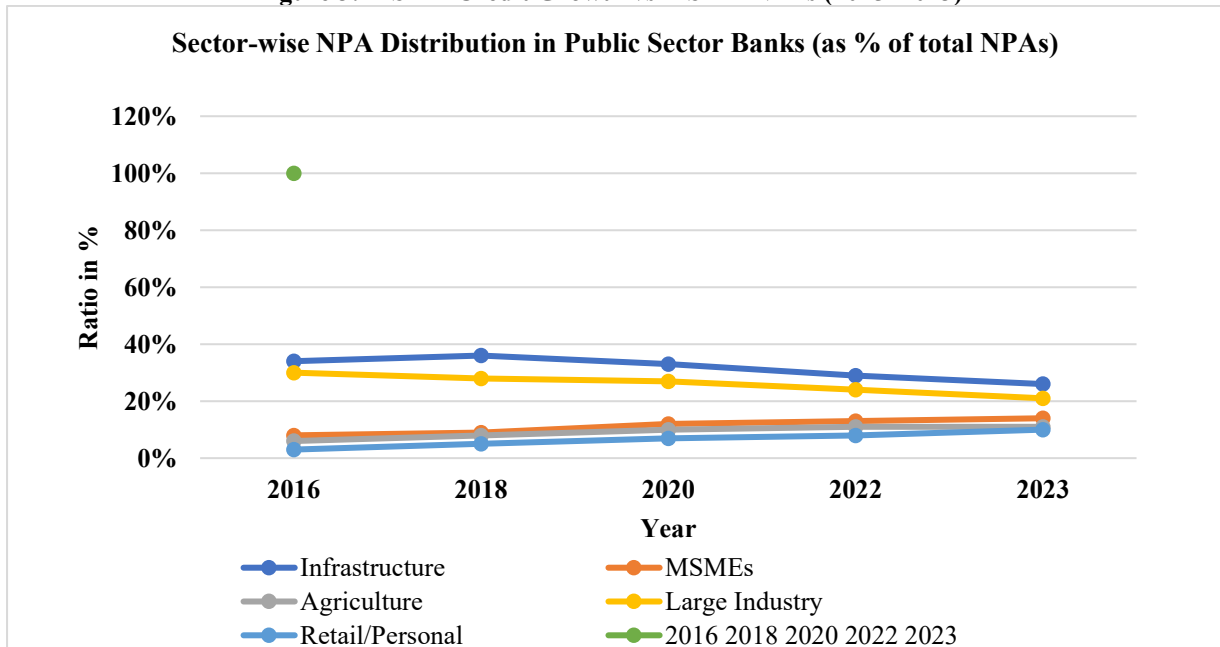
Infrastructure is one of the central pillars of Viksit Bharat 2047. However, data show that infrastructure accounts for the largest share of NPAs in the banking sector. During 2016–2018, this segment alone accounted for over 35% of total NPAs in PSBs. Many infrastructure loans became non-performing due to land acquisition delays, regulatory hurdles, and project execution issues.

When these loans turned bad, banks began reducing exposure to long-term infrastructure financing, leading to funding gaps in roads, ports, logistics, and energy projects. This has slowed

India’s progress on becoming a \$10 trillion economy, particularly in terms of logistics efficiency and smart urban infrastructure—both of which are high priorities in the Viksit Bharat strategy (NITI Aayog, 2022).

The Viksit Bharat vision emphasizes universal financial access, rural entrepreneurship, and credit availability for small borrowers. However, rising NPAs in the agriculture and MSME sectors have led banks to tighten credit appraisal norms, reduce fresh disbursements, and become more risk-averse.

**Figure 3: MSME Credit Growth vs MSME NPAs (2015–2023)**



The GNPA ratio for MSME loans rose from approximately 8.4% in 2016 to 12.3% in 2020, according to SIDBI and RBI reports. Despite schemes like MUDRA and CGTMSE, many MSMEs struggled with repayment post-demonetization and during the COVID-19 pandemic. This led banks to

focus more on collateral-based lending, thereby excluding first-generation and women entrepreneurs—ironically the target beneficiaries of inclusive financial development.

Impact on Viksit Bharat:



- Reduced access to credit for rural entrepreneurs
- Slower progress in women-led economic participation
- Lower job creation and regional development

High NPAs constrain capital formation in two ways: (a) they lock productive capital in unviable ventures, and (b) they reduce bank appetite for new investments.

As credit growth stagnates during NPA surges (especially 2016–2018), private investment also declines, leading to a fall in industrial production, construction jobs, and SME activity. This reduces the employment elasticity of growth, especially in labor-intensive sectors like textiles, construction, and manufacturing—counter to *Viksit Bharat*'s goal of becoming an employment-intensive growth economy.

#### 5.4 To Propose Data-Backed Policy Recommendations for NPA Resolution and Banking Resilience in Light of *Viksit Bharat 2047*

India's ambition of becoming a developed nation by 2047, under the vision of *Viksit Bharat*, hinges on a financially robust, inclusive, and forward-looking banking system. The preceding analysis demonstrates that the persistence of Non-Performing Assets (NPAs) has impaired credit flow, undermined financial inclusion, and weakened the banking sector's ability to support infrastructure and innovation. Addressing the NPA challenge is, therefore, not merely a regulatory necessity—it is a strategic developmental imperative.

In this section, we present data-driven policy recommendations to reduce NPAs, improve credit quality, and strengthen banking resilience in support of India's long-term developmental goals.

##### 5.4.1 Strengthening the Insolvency and Bankruptcy Code (IBC)

The Insolvency and Bankruptcy Code (IBC), introduced in 2016, was intended to create a time-bound resolution mechanism for stressed assets. While early successes were promising, subsequent delays in judicial processes have hampered its effectiveness. According to the IBBI (2023), average resolution times have reached 525 days, well beyond the 270-day limit. As emphasized by Ghosh (2015), delays in resolution impair capital recycling and deter credit growth. Recommendations include enhancing NCLT capacity, penalizing frivolous litigation, and introducing pre-packaged insolvency schemes for MSMEs. Swift resolution mechanisms are critical to unlocking capital and restarting stalled infrastructure

and industrial projects—essential to achieving *Viksit Bharat 2047*.

##### 5.4.2 Reviving and Empowering Development Finance Institutions (DFIs)

Development Finance Institutions (DFIs) are essential for long-term infrastructure investment. NaBFID's creation in 2022 aligns with this objective, as highlighted in NITI Aayog's 2022 report projecting ₹111 lakh crore of infrastructure financing needs by 2040. Public sector banks lack the capital and risk appetite to support such long-term lending. Policy suggestions include expanding NaBFID's scope, offering credit enhancements, and encouraging private DFIs through PPP models. These measures will allow banks to focus on MSME, agriculture, and retail sectors—core to inclusive development under *Viksit Bharat 2047*.

##### 5.4.3. Digital Credit Monitoring and Risk Analytics

Many NPAs arise from inadequate credit appraisal and lack of early detection. Bhattacharya and Das (2020) emphasize the role of technology in monitoring and mitigating credit risk. AI-based credit scoring, centralized fraud analytics (under RBI supervision), and real-time borrower profiling using integrated data (GST, ITR, MCA21) are recommended. Private sector banks like ICICI and HDFC already deploy such tools to reduce slippages. A tech-driven credit ecosystem is crucial for scaling innovation finance, agri-tech, and rural credit—pillars of *Viksit Bharat*.

##### 5.4.4. Reforming Asset Reconstruction Companies (ARCs)

Asset Reconstruction Companies (ARCs), despite their mandate, have underperformed. As per RBI's 2022 report, average recovery through ARCs remains under 30%. Reforming ARCs by linking licenses to performance, improving valuation transparency, and enabling asset restructuring will enhance recovery outcomes. The establishment of the National Asset Reconstruction Company Ltd. (NARCL) offers a centralized solution to legacy NPAs. Effective ARCs are necessary to restore bank balance sheets and redirect capital into productive sectors that support long-term development.

##### 5.5.5. Improving Governance and Accountability in Public Sector Banks

Public Sector Banks (PSBs) continue to face governance challenges. The Parliamentary Standing Committee on Finance (2021) noted that weak board accountability, frequent leadership changes, and



credit mismanagement worsen NPA cycles. Strengthening the Bank Boards Bureau, linking performance incentives to accountability, and mandating third-party audits for large exposures are necessary governance reforms. These changes are vital to instill credit discipline and ensure institutional reliability—foundations for India's developed economy vision.

#### 5.5.6. Building a Culture of Responsible Borrowing and Credit Discipline

Finally, cultivating responsible borrowing is essential to prevent recurring NPA cycles. The IMF (2016) warned that loan waivers compromise repayment culture and financial stability. Policy solutions include implementing credit ratings for individual and MSME borrowers, linking subsidy schemes to credit history, and expanding financial literacy programs led by NABARD and SIDBI. Financial discipline among citizens will ensure greater inclusion and self-reliance, cornerstones of *Viksit Bharat 2047*.

### VI. CONCLUSION

The vision of *Viksit Bharat 2047* aspires to position India as a globally competitive, inclusive, and sustainable developed economy by its centenary of independence. At the heart of this vision lies a dynamic, resilient, and inclusive financial system—particularly a well-functioning banking sector. This study establishes that Non-Performing Assets (NPAs) represent a significant systemic obstacle to achieving these developmental goals.

From 2015 to 2024, the Indian banking sector experienced a sharp escalation in NPAs, followed by a slow but partial recovery. The analysis reveals that rising NPAs have:

- Constrained credit flow to productive sectors like MSMEs, infrastructure, and agriculture
- Weakened bank profitability and capital adequacy
- Forced government recapitalization, straining fiscal resources
- Slowed progress in financial inclusion and entrepreneurship
- Eroded the sector's capacity to support sustainable and innovation-led finance

These effects are not isolated financial outcomes—they represent developmental disruptions that hinder infrastructure expansion, rural development, employment generation, and green transition.

Case studies like the IL&FS collapse and the MSME credit crisis illustrate the real-world

consequences of unresolved NPAs on national growth, job creation, and public investment. Sector-wise data confirms that infrastructure and small enterprise financing—both vital for long-term growth—were disproportionately impacted during peak NPA years.

The paper's final objective offers a comprehensive policy roadmap: strengthening the IBC, empowering DFIs, reforming ARCs, digitizing risk analytics, improving PSB governance, and promoting financial literacy. These reforms are not just remedies—they are strategic enablers of *Viksit Bharat*.

In conclusion, the path to a developed India requires not just reducing NPAs, but transforming the banking sector into a proactive agent of development. Addressing the legacy and future risks of NPAs with institutional, technological, and governance reforms is essential to ensure that financial fragility does not derail India's march toward 2047.

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