

**Non-Performing
Asset
(NPA)
Ratio**



What is NPA?

NPAAs are loans that people or businesses haven't paid back on time.

If they haven't made a payment for 90 days, the loan is considered non-performing.

Why is NPA Important ?

The NPA Ratio shows the percentage of these unpaid loans compared to all bank loans.

A high ratio means the bank might be having trouble with its loans, while a low ratio means the bank is managing its loans well.

Calculation

$$\text{NPA Ratio} \\ = \text{Non-Performing Loans} / \text{Total} \\ \text{Loans} * 100$$

A high NPA Ratio can hurt a bank's profits and make it harder to lend money. Investors and regulators need to watch this number closely.

Impact on Customers:

**A bank with a high NPA Ratio
may raise interest rates or
tighten lending rules.**

**This can make it harder for good
customers to get loans.**

Monitoring Trends

Looking at the NPA Ratio over time, we can see if a bank is getting better or worse at managing its loans.

A decreasing NPA Ratio is a good sign for the bank's health.