1. Trend And Progress of Banking in India 2024-25 - Economy

Competition from equity markets and technology will keep banks on their toes- RBI. The Reserve Bank of India's *Report on Trend and* Progress of Banking in India 2024-*25* highlights a resilient banking sector with asset quality reaching a multi-decadal best (GNPA ~2.1%). However, despite a decline in fraud volume, the value of frauds has surged, alongside rising customer grievances in digital banking.

About the Report

Statutory Mandate- This is an annual report released by the Reserve Bank of India (RBI), mandated by the Banking Regulation Act, 1949.

Scope- It offers a holistic review of the performance of the entire Indian banking sector, covering-

1. Scheduled Commercial Banks (SCBs)
2. Co-operative Banks (Urban and Rural)
3. Non-Banking Financial Companies (NBFCs)

Purpose- The report aims to summarize the key trends, developments, and health of the banking system over the financial year.

Key Focus Areas- It analyses critical parameters such as

1. Credit and Deposit growth
2. Asset Quality (NPA levels)
3. Profitability and Capital Adequacy
4. Risk patterns and emerging regulatory challenges.

Key Findings- Overall Sector Performance

The Indian banking sector in FY25 displayed robust health and resilience.

Resilience- The sector continued its strong performance trajectory, demonstrating resilience against global and domestic economic shifts.

Balance Sheet Expansion- The sector was supported by a double-digit expansion in balance sheets. Specifically, the consolidated balance sheet of Scheduled Commercial Banks (SCBs) grew by over 11% during the year.

Growth Momentum- While the growth remained robust and in double digits, the *pace* of expansion moderated slightly compared to the previous financial year (FY24).

Key Findings- Asset Quality (A Historic Low)

One of the most significant highlights of the 2024-25 report is the dramatic improvement in asset quality, marking the best performance in decades.

Gross Non-Performing Assets (GNPA)- The GNPA ratio declined to a multi-decadal low of 2.2% as of March 2025. The trend continued to improve, with the ratio falling further to 2.1% by September 2025.

Drivers of Improvement- This decline is attributed to Sustained efforts in stress resolution (recovering bad loans). Implementation of better credit underwriting standards by banks (lending more cautiously and efficiently).

Key Findings- Profitability Metrics

The earnings profile of Indian banks remained strong, reflecting efficient management of assets and capital.

Metric	Value (FY25)	Significance
Return on Assets (RoA)	1.4%	Indicates high efficiency in using assets (loans/investments) to generate profit.
Return on Equity (RoE)	13.5%	Shows effective generation of returns for shareholders.

Performance of Other Sectors (Co-operative & NBFCs)

The report highlights that growth was not limited to commercial banks but was broad-based across the financial ecosystem.

Urban Co-operative Banks (UCBs)- Witnessed faster growth rates. Showed improvements in both asset quality and profitability.
Non-Banking Financial Companies (NBFCs)- Maintained double-digit credit growth. Continued to hold strong capital buffers. Displayed better asset quality, indicating a healthier loan book.

Emerging Challenges & Risks

Despite the positive trends, the report flagged specific areas of concern that require regulatory and operational attention.

Fraud Dynamics

1. Trend- While the volume (number) of reported fraud cases declined, the value (amount) involved in these frauds increased significantly.
2. Implication- This highlights the emergence of high-value frauds and evolving operational risks.

Customer Grievances- There was a marginal increase in complaints. Key *Areas* Loans, Credit Cards, and Digital Banking.
Need- Emphasizes the necessity for stronger consumer protection mechanisms and improved service standards.

Key Banking Terms Explained

To understand the report fully, it is essential to grasp the core technical terms used by the RBI.

Gross Non-Performing Assets (GNPA)

Definition- The total value of loans classified as "non-performing" due to prolonged non-payment.
Criteria- A loan is typically declared an NPA if the principal or interest payment is overdue for 90 days (one quarter) or more.
Significance- It is the primary indicator of asset quality and credit risk. A high GNPA radio signals severe financial stress for the bank.

Return on Assets (ROA)

Definition- A profitability ratio that indicates how profitable a bank is relative to its total assets.
Formula- $\frac {\text {Net Profit}}{\text {Total Assets}} $
Significance- Measures management efficiency in using assets to generate earnings.

Return on Equity (ROE)

Definition- A measure of financial performance calculated by dividing net income by shareholders' equity.
Formula- $\frac {\text{Net Profit}}{\text{Shareholders' Equity}}$
Significance- Shows how effectively the bank is generating wealth for its owners (shareholders).
Source- https-//www.livemint.com/industry/banking/rbi-banking-report-trends-and-progress-of-banking-in-india-report-11767008797651.html