

## HIGHER EXPOSURE TO UNSECURED RETAIL, MSME LOANS TO HURT AMID IRAN WAR

# Private Banks to See a Higher Rise in NPAs than Public Peers in FY27

Private banks are set to generate bad loans at a significantly faster clip than their public sector peers in FY27, according to rating agency ICRA. Fresh NPA generation at private banks is estimated to rise to 2.0% in FY27 from 1.8% in FY26—against 1.2% for public sector banks, up from 0.9% in FY26. The divergence reflects private banks' higher

exposure to unsecured retail and MSME advances, which have been the primary source of stress across



the sector. ICRA flags that the stress is increasingly concentrated in the MSME and retail segments, with the rural economy seen as bearing the brunt. The ongoing West Asia conflict adds a further layer of uncertainty, with potential job losses—particularly in the IT sector—flagged as a watch item for personal loan performance. — Saloni Shukla

## INDIAN BANKING SECTOR: FRESH NPA GENERATION TRACKER (FY20–FY27E)

Metric	FY20	FY21	FY22	FY23	FY24	FY25	9M FY26	FY26E	FY27E
<b>PUBLIC SECTOR BANKS (PSBs)</b>									
Fresh Slippages (₹ trillion)	2.5	1.5	1.8	1.2	1.0	0.9	0.6	0.9	1.4
Fresh NPA Generation Rate (%)	4.3	2.5	2.8	1.7	1.2	1.0	0.8	0.9	1.2
<b>PRIVATE SECTOR BANKS (PVBs)</b>									
Fresh Slippages (₹ trillion)	1.2	1.0	1.3	1.1	1.0	1.2	1.0	1.3	1.6
Fresh NPA Generation Rate (%)	3.8	3.1	3.5	2.5	2.0	1.8	1.7	1.8	2.0
<b>COMBINED SECTOR</b>									
Total Fresh Slippages (₹ trillion)	3.7	2.5	3.1	2.3	2.0	2.1	1.6	2.2	3.0

Source: ICRA Research