

**GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:1908
ANSWERED ON:29.11.2002
ADB REPORT ON NPA OF BANKS
NARESH KUMAR PUGLIA;SHYAMA SINGH

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

- (a) whether the Asian Development Bank in its report has revealed that high NPAs in banks has affected adversely on the effectiveness of the monetary policy;
- (b) if so, the details thereof;
- (c) whether the Government have assessed the impact of NPAs on economy of the country; and
- (d) if so, the details in this regard ?

Answer

MINISTER OF STATE FOR FINANCE & COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL)

(a) & (b) Yes, Sir. The Asian Development Outlook 2002 mentions that "The overhang of NPAs remained a factor in structurally high intermediation costs in the banking and nonbanking sectors, and, together with the high cost of funds and non interest operating expenses, somewhat limited the downward flexibility of interest rates and, therefore, the effectiveness of monetary policy"

(c) & (d) While no specific assessment has been made of the impact of non-performing assets of Banks and Financial Institutions on the economy of the country, Government and RBI are concerned about NPAs and have been evolving and implementing a recovery policy.