

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:44

ANSWERED ON:03.12.2004

LOSS MAKING BANKS

Chowdhury Shri Adhir Ranjan;Nikhil Kumar Shri

Will the Minister of FINANCE be pleased to state:

- (a) the details of public sector banks/nationalised banks which have incurred losses during each of the last two years;
- (b) the reasons therefor;
- (c) the reaction of the Government thereon alongwith the measures taken/proposed to be taken by the Government to make these banks profitable and competitive in global arena;
- (d) whether consolidation of banking sector can help in achieving GDP target rate; and
- (e) if so, the details thereof?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a) to (e): A statement is laid on the Table of the House.

STATEMENT FOR LOK SABRA STARRED QUESTION NO.44 FOR 3RD DECEMBER 2004 REGARDING LOSS MAKING BANKS
TABLED BY SHRI ADHIR CHOWDHURY AND SHRI NIKHIL KUMAR

(a): No public sector bank has incurred losses in the last two years.

(b): Does not arise.

(c): The steps taken by Government to improve the functioning and profitability of the Nationalised Banks include enactment of law for effective recovery of Non-Performing Assets; deregulation of interest rates; introduction of prudential norms; reduction in Statutory Liquidity Ratio and Cash Reserve Ratio; and encouragement to Information Technology, Organizational Restructuring, improvement in human resource management and customer service, diversification in lines of business, etc.

(d) & (e) : Consolidation would allow economics of scale in terms of footprint, manpower and other resources. Having Indian Banks of a larger size would enable them to face competition arising from internationalization of the economy. Larger size also entails better management of risk. Small and weak banks pose systemic risks with their low capital adequacy ratio and high NP As. Consolidation is a timely response to augment efficiency which would lead to income generation and add to GDP of the country.