

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2177

ANSWERED ON:12.12.2008

NPAS AND PROFIT OF BANKS

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Will the Minister of FINANCE be pleased to state:

- (a) whether the profits of banks has declined due to Non-Performing Assets (NPAs) during the last three years and the current year;
- (b) if so,the details thereof;
- (c) whether NPA for agriculture and industrial sector has not been separately classified;
- (d) if not,the details ofNPAs declared for agriculture and industrial sector separately for the last three years; and
- (e) the action taken by the Government to reduce the NPAs and increase the profits of banks?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (d) : No, Sir. During the last three years, the net profit of scheduled commercial banks (SCBs) has shown an increasing trend. The details of net profit, gross and net non-performing assets (NPAs) and NPAs in agriculture sector ofthe SCBs for the last three years are given below:

| Items | March 2006 | March 2007 | March 2008 |
|-------|------------|------------|------------|
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| Net Profit | 24,582 | 31,203 | 42,719 |
|------------|--------|--------|--------|

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| Gross NPAs | 51,097 | 50,486 | 56,668 |
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| Net NPAs | 18,543 | 20,101 | 24,675 |
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| Gross NPAs in Agriculture sector | 6,718 | 7,367 | 9,736 |
|-------------------------------------|-------|-------|-------|

The Management Information System of the Reserve Bank of India does not generate data separately for NPAs of industrial sector.

(e) To reduce the NPAs, to improve asset quality of the banks and to create a good recovery climate, Reserve Bank of India (RBI) and the Government of India have taken various steps which, inter-alia, include prescribing prudential norms for provisioning and classification of non-performing assets, guidelines for prevention of slippages, introduction of Corporate Debt Restructuring mechanism, One Time Settlement schemes, enactment of The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARF AESI) Act, 2002, the Credit Information Companies (Regulation) Act, 2005, and the Recovery of Debts due to Banks and Financial Institutions (DRT) Act, 1993 etc. All the banks including the private sector banks take appropriate measures to recover their NPAs in accordance with their loan recovery policies.

Further, to ensure a healthier banking sector in India, to increase efficiency, productivity and profitability of the banks and to protect the interests of their stakeholders and the depositors, RBI has prescribed measures for strengthening of risk based prudential supervision, introduction of capital adequacy standards on the line of Basel Committee norms, putting in place technology based effective payment settlement system, encouraging banks for increased use of technology for providing services to their customers, etc. coupled with wide ranging steps taken by the Government. The net profit of SCBs has increased by around 74% in 2007-08 over the net profit of these banks in 2005-06.