GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:6959
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CASH CRUNCH IN BANKS
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Will the Minister of FINANCE be pleased to state:

(a) whether the banks in the country have faced a heavy cash crunch during 2008-09 due to financial scams, increasing non-performing assets and bad debts;

(b) if so the details thereof;

(c) the amount of increase in deposits estimated by the Government for the year 2009-10; and

(d) the steps taken or schemes formulated by the Government to increase bank deposits in future?

Answer

The Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a) to (d): The Indian banking system, by and large, remained unscathed in the recent financial crisis. This may be seen from the following facts −

During the nine months period ending on 19.12.2008, total Bank Credit of the Scheduled Commercial Banks (SCBs) rose from Rs.23,61,914 crore to Rs.26,43,734 crore; whereas during the nine months period ending on 18.12.2009, total Bank Credit of the SCBs rose from Rs.27,75,549 crore to Rs. 29,41,293 crore.

Gross NPAs to Gross Advances of the Public Sector Banks (PSBs) was 2.36% as on 31.12.2009 in comparison to 2.09% as on 31.03.2009 and 2.34% as on 31.03.2008. In case of New Private Sector Banks, Gross NPAs to Gross Advances was 3.39% as on 31.12.2009 in comparison to 3.55% as on 31.03.2009 and 2.90% as on 31.03.2008. In case of Old Private Sector Banks, Gross NPAs to Gross Advances was 2.51% as on 31.12.2009 in comparison to 2.36% as on 31.03.2009 and 2.26% as on 31.03.2008.

As on March 26, 2010 aggregate deposits of SCBs increased by Rs.6,52,464 crore (17%) as compared with an increase of Rs.6,37,170 crore (19.9%) during the corresponding period of the previous year.

Further, Reserve Bank of India (RBI) had taken a number of regulatory and supervisory measures in the wake of the Global financial crisis, which includes restructuring of advances, improving asset quality of the banks, and better NPA management in banks including the discussions held with banks on the Annual Financial Inspection Reports, etc.

RBI had been reviewing these measures on a continuous basis in the light of the evolving liquidity conditions. As the economy has stabilized, RBI has revisited the measures taken earlier and devised a well calibrated exit strategy. Since October, 2009 RBI has wound up the special refinance windows in view of excess liquidity in the system. SLR was also raised by 1% to 25%. Further, in April 2010, CRR was increased to 6% from 5.75%. To tackle inflationary pressure Repo and Reverse Repo rates were raised by 25 bps to 5.25% and 3.75% respectively in the month of April, 2010.