GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2081
ANSWERED ON:06.08.2010
IMPACT OF RECESSION ON BANKS
Reddy Shri K. Jayasurya Prakash

Will the Minister of FINANCE be pleased to state:

(a) whether an estimate of the possible impact of the global economic recession on the banking sector of the country has been made;

(b) if so, the details thereof alongwith the steps taken or proposed to be taken in this regard for future;and

(c) if not, the reasons therefor?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

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

The Capital to Risk-weighted Assets Ratio (CRAR) of Scheduled Commercial Banks (SCBs), a measure of the capacity of the banking system to absorb unexpected losses, improved to 13.2% at end-March 2009 from 13% at end-March 2008.

Gross Non-Performing Asset (NPA) in respect of SCBs to gross advances ratio increased marginally to 2.5 per cent as at end-March 2010 from 2.39 per cent as at end-March 2008 while Net NPA to net advances ratio increased marginally to 1.13 per cent as at end March 2010 from 1.08 per cent as at end-March 2008. However, the ratio of Gross Non-Performing Asset (NPA) to Gross Advances of Public Sector Banks (PSBs) decreased from 2.34 % as on March 31, 2008 to 2.27 % as on March 31, 2010 while Net NPA to net advances ratio increased marginally to 1.09 per cent as at end March 2010 from 1.08 per cent as at end-March 2008.

In wake of the global financial crisis, Government of India and Reserve Bank of India took a number of regulatory and supervisory measures which included restructuring of advances, improving asset quality of the banks and better NPA management in banks including the discussion held with banks en the Annual Financial Reports, etc. These initiatives were mainly aimed on strengthening the banking system and financial markets, while ensuring uninterrupted flow of liquidity and credit to the different markets and sectors of the economy.